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ABSTRACT

This guide is intended to assist members of governing bodies of universities and colleges of higher education in England, Wales, and Northern Ireland in the performance of their duties. The guide is divided into two parts. Part 1 is concerned with the role of the governing body. It outlines the legal status of institutions and their structures of governance and considers the responsibilities of members of governing bodies towards their own institutions, to government and Parliament, and to the wider community. Part 2 of the Guide consists of 12 appendices that provide background information about the higher education system. This information is included to help members of the governing body understand their roles in a wider context. The main duties of the governing body are discussed as: (1) proper conduct of public business; (2) strategic planning; (3) monitoring performance; (4) finance; (5) audit; (6) estate management; (7) charitable status; (8) staffing; (9) students' union; and (10) health and safety. (SLD)

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Guide

Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland

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Introduction

Institutions of higher education are characterised by a distinctive ethos. Despite diverse backgrounds and traditions, they are united in the common purpose of the provision of teaching, and the pursuit of knowledge and research, including research which contributes to economic growth. They are also committed to the principle of academic freedom, that is the freedom to question received wisdom and put forward new and possibly controversial ideas. Additionally, they are autonomous organisations, responsible for the management and direction of their own affairs. Members of governing bodies need to recognise, and be committed to, the distinctive principles and ethos of higher education in order to contribute effectively to the work of the institution with which they are associated.

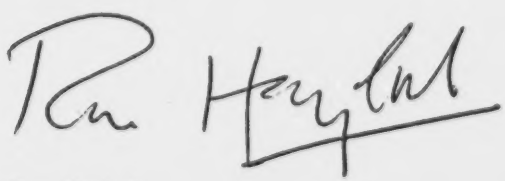
This Guide is intended to assist members of governing bodies of universities and colleges of higher education in England, Wales and Northern Ireland in the performance of their duties. The Guide is divided into two Parts. Part I is directly concerned with the role of the governing body. It outlines the legal status of institutions and their structures of governance, and considers the responsibilities of members of governing bodies towards their own institutions, to Government and Parliament, and to the wider community.

Part II of the Guide consists mainly of a series of appendices which provide background information about the higher education system. This information is included in order to help members of the governing body understand their role in a wider context.

The internal organisation, procedures and regulations of individual institutions vary enormously and the Guide presents only a broad overview. Members of governing bodies should refer to the secretary or registrar or clerk to their governing body for more detailed information and guidance about the internal arrangements in their particular institution, or about issues raised in the present Guide.

The Guide has been prepared by the Committee of University Chairmen (CUC) in association with the Higher Education Funding Council for England (HEFCE), the Higher Education Funding Council for Wales (HEFCW) and the Department of Higher and Further Education, Training and Employment for Northern Ireland (DHFETE), and in co-operation with Universities UK (formerly CVCP), the Association of Heads of University Administration (AHUA) and the Standing Conference of Principals (SCOP).

This is the third edition of the Guide and it has been updated to take account of various changes in higher education and the CUC's review of corporate governance published in December 2000.



Ron Haylock
Chairman of the Committee of University Chairmen

Glossary of Terms

The diversity of the higher education sector means that a wide range of terminology is used in matters of governance. General terms have therefore been used in this Guide to cover terms which are broadly analagous.

The governing body
the university council, board of governors or other body ultimately responsible for the affairs of the institution

Member
member of council, governor, board member

Head of the institution
the person with executive responsibility for the management of the institution, that is the vice-chancellor, principal, director, rector or provost

Chairman
the chairman, chairwoman, pro-chancellor or other person who takes the chair at meetings of the institution's governing body

Secretary
the clerk to the governing body, registrar, secretary or other person responsible for convening and arranging for the minuting of the meetings of the governing body

The following terms have also been used:

Pre-1992 universities
higher education institutions in England and Wales which had university status before the provisions of the Further and Higher Education Act 1992 came into force; and the two Northern Ireland universities

Post-1992 universities
higher education institutions (mainly former polytechnics) which acquired university designation as a result of the provisions of the Further and Higher Education Act 1992

Colleges
those higher education colleges which, under the provisions of the Further and Higher Education Act 1992, are funded by the Higher Education Funding Councils for England and Wales

Funding Council
the Higher Education Funding Council for England or the Higher Education Funding Council for Wales or, for the purposes of this Guide, the Department of Higher and Further Education, Training and Employment for Northern Ireland – DHFETE (formerly DENI)

Institutions formerly funded by the PCFC (Polytechnics and Colleges Funding Council) or the Welsh LEAs
the post-1992 universities and those higher education colleges now funded by the Higher Education Funding Councils for England and Wales

1 Summary of Responsibilities of Members of Governing Bodies

1.1 Institutions of higher education are legally independent corporate institutions which have a common purpose of providing teaching and undertaking research. They also contribute to economic growth through research and developing links with industry and the community. The council or board of governors is the executive governing body of the institution and carries responsibility for ensuring the effective management of the institution and for planning its future development. It has ultimate responsibility for all the affairs of the institution.

1.2 In the case of the pre-1992 universities, the constitution and powers of the governing body are laid down in, and limited by, the charter and statutes of the institution. For post-1992 universities and colleges, they are laid down in the Education Reform Act 1988 (as amended by the Further and Higher Education Act 1992), together with the instruments and articles of government. Some institutions are companies limited by guarantee, in which case the memorandum and articles of association incorporate the provisions of the instruments and articles of government. Governing bodies should ensure that their institutions do not extend their activities beyond those permitted by these documents.

1.3 The main responsibilities of the governing body are as follows.

Proper Conduct of Public Business

1.4 Governing bodies are entrusted with funds, both public and private, and therefore have a particular duty to observe the highest standards of corporate governance. This includes ensuring and demonstrating integrity and objectivity in the transaction of their business, and wherever possible following a policy of openness and transparency in the dissemination of their decisions.

(Further information: Section 4.)

Strategic Planning

1.5 The governing body has a duty to enable the institution to achieve and develop its primary objectives of teaching and research. This responsibility includes considering and approving the institution's strategic plan, which sets the academic aims and objectives of the institution and identifies the financial, physical and staffing strategies necessary to achieve these objectives.

1.6 The governing bodies of some institutions have established planning and resources committees to assist in these matters.

Monitoring Performance

1.7 The governing body should regularly monitor the performance of the institution against its planned strategies and operational targets.

(Further information: Section 4.)

Finance

1.8 The governing body's financial responsibilities include:

- ensuring the solvency of the institution and safeguarding its assets
- approving the financial strategy
- approving annual operating plans and budgets which should reflect the institution's strategic plan
- ensuring that funds provided by the Funding Council are used in accordance with the terms and conditions specified in the Funding Council's Financial Memorandum
- ensuring the existence and integrity of financial control systems and monitoring these through the Audit Committee
- receiving and approving annual accounts (financial statements).

(Further information: Section 5.)

Audit

1.9 The governing body is responsible for directing and overseeing the institution's arrangements for internal and external audit.

(Further information: Section 5.)

Estate Management

1.10 The governing body is responsible for oversight of the strategic management of the institution's land and buildings. As part of this responsibility it should consider, approve and keep under review an estate strategy which identifies the property and space requirements needed to fulfil the objectives of the institution's strategic plan, and also provides for a planned programme of maintenance.

(Further information: Estate strategies: a guide to good practice, HEFCE reference 00/04.)

Charitable Status

1.11 All higher education institutions have charitable status under the Charities Act 1993. In the case of the institutions which are exempt or excepted charities under the above Act, members of the governing body are not, in a legal sense, trustees. However, in all cases, members of governing bodies must ensure that the property and income of the institution are applied only in support of purposes which are charitable in law.

(Further information: Section 2.)

Staffing

1.12 The governing body has responsibility for the institution's employment policy. This includes ensuring that pay and conditions of employment are properly determined and implemented. The governing body is also responsible for appointing and setting the terms and conditions for the head of the institution and such other senior posts as it may from time to time determine.

(Further information: Sections 4 and 6.)

Students' Union

1.13 In England and Wales, the Education Act 1994 requires the governing body to take such steps as are reasonably practicable to ensure that the Students' Union operates in a fair and democratic manner and is accountable for its finances. The Act does not apply in Northern Ireland, but governing bodies are nevertheless required to apply most of its terms in relation to Students' Unions.

(Further information: Section 7.)

Health and Safety

1.14 Under the Health and Safety at Work Act 1974 or, in Northern Ireland, the 1978 Health and Safety at Work Order, the governing body carries ultimate responsibility for the health and safety of employees, students and other individuals whilst they are on the institution's premises and in other places where they may be affected by its operations. The governing body's duties include ensuring that the institution has a written statement of policy on health and safety, and arrangements for the implementation of that policy.

(Further information: Annex E.)

2 Legal Status of Institutions

Background: Institutions in the Higher Education Sector in England, Wales and Northern Ireland

2.1 The institutions which make up the current higher education sector in England, Wales and Northern Ireland have diverse backgrounds and traditions which are reflected in their constitutional arrangements and the structure and powers of their governing bodies. They can, however, be divided into two broad groups:

- pre-1992 universities. In England and Wales most of these were funded by the Universities Funding Council (UFC) or directly funded by the then Department of Education (ie the Open University and Cranfield University). In Northern Ireland, they were funded by the then Department of Education for Northern Ireland (DENI) on the advice of the UFC

- post-1992 universities and the colleges. In England most of these were funded by the Polytechnics and Colleges Funding Councils (PCFC), and in Wales by the Welsh Office or Welsh local education authorities.

2.2 The pre-1992 universities are a very diverse group. They include such broad categories as the ancient universities of Oxford and Cambridge, the federal University of London, the federal colleges of the University of Wales, the 'civic' universities founded in the late nineteenth and early twentieth centuries, the former university colleges which awarded degrees of the University of London, the group of universities established in the 1960s, and the Colleges of Advanced Technology which achieved university status following the Robbins Report of 1963.

2.3 Most of the post-1992 universities are former polytechnics which until 1988 (or 1992 in Wales) were part of, and funded by, local education authorities and awarded degrees validated by the Council for National Academic Awards (CNAA). The Education Reform Act 1988 made them into independent corporations and established the PCFC, which took over responsibility for funding these institutions in England. Subsequently the Further and Higher Education Act 1992 enabled these institutions to award degrees in their own right, and to acquire the title of university.

2.4 The colleges of higher education which form part of the higher education sector in England were also funded by the PCFC following the passage of the Education Reform Act 1988. In Wales the colleges continued to be funded by the local education authority until 1992 or, in two cases, 1993. A further voluntary college was funded by the Welsh Office. For the sake of simplicity, these are referred to in this document as 'institutions formerly funded by Welsh local education authorities'. A number of colleges of higher education are provided by churches. These colleges often have ties to the providing bodies, which may have the right to be represented on the governing body, together with institutional trustees. The providing bodies have the power to determine the character of the institution and in some cases also have jurisdiction over the institution's assets.

2.5 The colleges can be divided into two groups: general colleges offering a range of courses which may be narrower than in the universities, often with the emphasis on business and management, humanities and education; and specialist colleges with more than half their students in one academic subject category, such as education, music, or art and design. Some of the colleges of higher education have been granted powers to award their own degrees and the title of 'University College'.

2.6 The Further and Higher Education Act 1992 established the Higher Education Funding Councils for England, Wales and Scotland, which took over responsibility for funding all higher education institutions in their respective areas. In England the Higher Education Funding Council also funds most higher education courses provided by further education colleges.

2.7 The Further and Higher Education Act did not apply to Northern Ireland, but under the terms of the Education and Libraries (NI) Order 1993 DENI – now the Department of Higher and Further Education, Training and Employment in Northern Ireland (DHFETE) – continued to fund the two Northern Ireland universities. An advisory council, the Northern Ireland Higher Education Council (NIHEC), was established to advise on the levels of funding which the universities should receive.

Legal Status of Institutions

2.8 Although the institutions in the current higher education sector are diverse in origin, size and organisation, they share the following characteristics of being:

- legally independent corporate institutions
- bodies with charitable status
- accountable through a governing body which carries ultimate responsibility for all aspects of the institution.

2.9 The legal status of particular institutions can, however, take different forms, as described below.

Pre-1992 Universities (England, Wales and Northern Ireland)

2.10 Most of the pre-1992 universities were established by a royal charter granted through the Privy Council, together with an associated set of statutes. This form of organisation is known as a chartered corporation.

2.11 A very small number of pre-1992 universities were established by a specific Act of Parliament, whose operative part is a set of statutes. This form of organisation is known as a statutory corporation.

2.12 The structure of governance for each university is laid down in the instruments of its incorporation (ie the Act or charter and the statutes). The charter and statutes can only be amended by the Privy Council.

2.13 The Universities of Oxford and Cambridge have neither an Act of Parliament nor a charter, but do have a body of statutes, changes to the more important of which require the authority of the Privy Council. A further exception is the London School of Economics, which is a company limited by guarantee (see paragraph 2.16).

2.14 As successive generations of universities obtained their statutes, significant variations and differences were introduced.

Post-1992 Universities and Colleges of Higher Education (England and Wales)

2.15 The Education Reform Act 1988 established as higher education corporations (HECs) certain higher education institutions in England previously maintained by, and part of, local education authorities. The Act stipulated that any HEC should be conducted in accordance with articles of government approved by the Secretary of State. Model articles were prepared by the Department of Education and Science to guide institutions in drawing up their own articles. The Further and Higher Education Act 1992 extended the provisions of the 1988 Act to Wales. It also amended the earlier legislation and set out the general format for an instrument of government, to be made by each HEC and approved by the Privy Council, governing the membership and constitution of the governing body. The Act also required HECs subsequently to make new articles of government to be approved by the Privy Council.

2.16 While most of the former polytechnics are governed by HECs, five (formerly administered by the Inner London Education Authority) are established under the Companies Act as companies limited by guarantee. Such institutions are founded on a memorandum and articles of association which incorporate the provisions of the instruments and articles of government required in the 1988 and 1992 Acts. The governing body also acts as the board of directors for the company. Other companies limited by guarantee include a small number of general and specialist HE colleges formerly funded by the PCFC.

2.17 Some colleges are established as charitable trusts under a trust deed or through a scheme made by the Charity Commissioners. They are subject to supervision by the Charity Commissioners and operate under instruments and articles of government approved by the Privy Council. (See also paragraph 2.18.)

Charitable Status

2.18 All higher education institutions have charitable status. Usually they are exempt or excepted charities under the Charities Act 1993, ie they are not subject to the jurisdiction of the Charity Commissioners. However, institutions established as charitable trusts (see paragraph 2.17) and some of those which are companies limited by guarantee (see paragraph 2.16) are registered charities and do come under the jurisdiction of the Charity Commissioners.

2.19 Charitable status confers the following benefits:

- exemption from capital gains tax, and from income tax and corporation tax on income other than trading income arising outside the course of carrying on the primary purpose of the institution
- ability to recover income tax deducted from deeds of covenant and receipts under gift aid
- exemption from inheritance tax for donors to institutions
- substantial relief on business rates.

2.20 All higher education institutions are normally exempt from VAT on the supply of education and research. They may however be liable for VAT on trading activities.

2.21 Requirements that members of governing bodies need to bear in mind in relation to the charitable status of their institutions include:

- applying the assets and income of the institution only for the defined charitable purposes
- acting only within their legal powers
- taking particular care in organising trading activities which may not be regarded as charitable
- managing and protecting the property of the institution
- (for those institutions which are registered charities) responding to the requirements of the Charities Commission for information and returns.

3 The Framework of Governance of Higher Education Institutions

3.1 The following section outlines the structure of governance for the pre-1992 universities and for the post-1992 universities and colleges. However, although these structures can be described in general terms, there are considerable differences at institutional level in terms of detailed arrangements, particularly for the pre-1992 universities and church colleges. Members of governing bodies should therefore refer to the secretary to the governing body for more detailed information about their particular institution.

Structure of Governance

The Pre-1992 Universities (England, Wales and Northern Ireland)

Council

3.2 The council is the executive governing body of the university. It is responsible for the university's finances and investments and for the management of the university estate and buildings. It has authority to make contracts on behalf of the university and to enter into loans and mortgage agreements. In many cases it also has responsibility for the oversight of teaching and research. University statutes will normally state that, subject to the powers of the senate in academic matters, the council has responsibility for the conduct of all the affairs of the university. The council will carry out many of its functions through committees: in particular it will often have, jointly with the senate, a resources or strategy committee which is responsible for planning the development of the university, bringing together academic priorities, financial considerations and building needs.

3.3 It is an important principle that the council has a lay majority, that is a majority of members who are not staff or students of the university. Its membership is specified in the statutes by class of appointment and will typically include officers of the university, both lay and academic, members appointed by the court, members appointed by the senate, co-opted members, local authority representatives, elected staff members and student representatives.

3.4 Following the report of the National Committee of Inquiry into Higher Education (the Dearing Report) universities have undertaken reviews of the size of their governing bodies with a view to reducing them. The average size of councils in England, Wales and Northern Ireland is now around 33 members.

(Further information: CUC Review of University Governance 1997-2000 – see Bibliography Annex L.)

3.5 Councils normally meet between three and six times a year. A great deal of council business will be conducted through committees concerned with finance, property and capital development, or through joint committees of the council and the senate concerned with university strategy, resource allocation or employment, with the committees bringing forward recommendations for the council's approval. As a result of

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carrying out effectiveness reviews of how they conduct their business, many councils are seeking to organise their agendas in such a way as to give more time to the consideration of issues which are of major strategic significance to the institution.

Senate

3.6 The senate is responsible for regulating and directing the academic work of the university. In some cases, the statutes state that power in academic matters (for example the awarding of degrees) rests with the senate; but even where the statutes do not make explicit legislative reference to the fact, the senate is regarded as the supreme authority on purely academic matters. Constitutionally, the senate reports to the council. Decisions of the senate on academic matters which have financial or resource implications are subject to approval by the council. Conversely, decisions by the council which have academic implications (for example the creation or closure of an academic department) are subject to consultation with the senate, and the senate would normally be the initiating body in such matters.

3.7 The senate is chaired by the vice-chancellor. Unlike the council and the court, its membership is drawn from within the university except where representation is accorded to external institutions for academic purposes. It consists of academic staff, with the proportion of staff in the various grades (professorial, non-professorial, research etc) varying between universities. Student representatives are also included. Senates vary in size from under 50 to well over 100 members. The senate's specific responsibilities normally include:

- academic strategy
- promotion of research
- approval of content of curriculum and new programmes
- academic standards
- procedures for the award of qualifications
- appointment of internal and external examiners
- policies and procedures on examinations
- criteria for admission
- student discipline.

The Court

3.8 The court has a formal role and does not take part in the day-to-day oversight of the university's affairs or in the decision-taking process. It offers a means whereby the wider interests served by the university can be associated with

the institution, and it provides a public forum where members of court can raise any matters about the university.

3.9 The court is typically a large body. Although it can range in size from around 50 to more than 400, the typical size is in the region of 200; newer universities tend to have smaller courts. Its constitution is specified in the university's statutes, and it typically includes representatives of local authorities; MPs; representatives of other universities, colleges, schools and the professions; members of the council and university officers; elected staff and students; and representatives and graduates of the university.

3.10 The court is required by statute to meet at least once a year.

3.11 Its powers vary between institutions, but typically include the following:

- consideration of the annual report of the university
- receiving the annual accounts
- (in most, but not all, cases) appointing the chancellor.

3.12 University charters make clear that the court has a largely formal status within a university's governance structure. However it performs an important public role through its large and varied membership. Each year it considers a university's annual report which ensures that a university's mission and achievements are communicated to a broadly representative group of lay people in a way that encourages them to ask questions and discuss the report.

Officers of the University

3.13 The statutes of the pre-1992 universities provide for a number of officers, including the following:

3.14 **Chancellor**. The chancellor is formally the lay head of the university and the chairman of the court. The role is largely ceremonial; for example, the chancellor presides at degree congregations.

3.15 **Pro-chancellor(s)**. The pro-chancellor (or one of the pro-chancellors if there is more than one) will normally be the chairman of the council. He/she will be appointed to the post by the council from among its lay members.

3.16 **Treasurer**. The treasurer is also appointed by the council from among its lay members and is normally chairman of the university's finance committee.

3.17 **Vice-chancellor**. The statutes of many pre-1992 universities define the vice-chancellor as the chief academic and administrative officer of the university. He/she is, in effect, the chief executive of the university. The vice-chancellor has overall responsibility for the executive management of the institution and for its day-to-day direction, and is accountable to the council (and in some universities to the senate) for the exercise of

these responsibilities. He/she is designated as the principal officer of the institution. As such, he/she is responsible for ensuring that the institution complies with the terms and conditions specified by the Funding Council for the use of Funding Council funds, and may be called to give evidence before the Public Accounts Committee. The vice-chancellor also chairs the senate.

3.18 **Pro-vice-chancellors**. Pro-vice-chancellors are appointed by the council for a fixed period of time, normally from among the professoriate. The pro-vice-chancellors assist the vice-chancellor, but will normally continue to carry out some academic duties within the department.

3.19 **Registrar**. The registrar is the most senior member of the administrative staff and will normally be designated in the statutes as secretary or clerk to the council and the senate and other statutory bodies (the role of the registrar as secretary to the council is described in paragraphs 4.14-4.17). The registrar will be answerable to the vice-chancellor for his or her administrative responsibilities. In some universities, all the administrative officers such as the bursar, finance officer, estates officer and academic registrar report to the registrar. In others, some of these officers report directly to the vice-chancellor.

Membership of the University

3.20 In the pre-1992 universities, the statutes state that the following are members of the university and therefore comprise the corporate body of the university:

- lay members of the court
- lay members of the council
- academic staff
- such other members of staff as may be designated by the council
- graduates
- students.

This broad definition of membership is reflected in the participative framework of governance prescribed in the pre-1992 universities.

The Visitor

3.21 Most pre-1992 universities have a Visitor. The office is usually referred to specifically in the charter and statutes, stipulating who is to hold the office, but if the charter and statutes are silent, then the Visitor is the Crown. The Crown has various legal manifestations (such as the Queen-in-Council, the Sovereign acting through the Lord President of the Council, or simply the Queen), and the procedures to be adopted will vary according to which formulation it is. Other Visitors may, for example, be judicial or ecclesiastical office holders.

3.22 The main role of the Visitor is to determine complaints on the petition of a member of the university after other formal, internal mechanisms have been exhausted. The Visitor's jurisdiction is laid down by common law and Act of Parliament. The jurisdiction no longer extends to employment matters; but where there is jurisdiction it is exclusive, that is the ordinary courts have no jurisdiction (except by way of judicial review if the Visitor acts unlawfully). The passage of the Human Rights Act in October 2000 has raised questions about the operation of the Visitor system. These are referred to under paragraphs 6.12 and 7.13.

Post-1992 Universities and Colleges of Higher Education (England and Wales)

3.23 Each institution formerly funded by the PCFC or Welsh LEAs operates under articles of government which have been approved by the Privy Council.

Board of Governors

3.24 The articles state that the board of governors shall be responsible for:

- the determination of the educational character and mission of the institution and for oversight of its activities
- the effective and efficient uses of its resources, the solvency of the institution and safeguarding its assets
- approving annual estimates of income and expenditure
- the appointment, grading, suspension, dismissal and determination of the pay and conditions of service of the head of the institution, the clerk to the board of governors and such other senior post-holders as the board of governors may determine
- setting a framework for the pay and conditions of service of all other staff
- the appointment of external auditors.

3.25 The 1992 Further and Higher Education Act and the instruments of government state that the board of governors shall consist of not fewer than 12 and not more than 24 members (plus the head of the institution unless he/she chooses otherwise). Of the appointed members:

- up to 13 must be independent members, namely people appearing to the appointing authority to have experience of, and to have shown capacity in, industrial, commercial or employment matters or the practice of any profession, and who are not members of staff or students of the institution or an elected member of the local authority
- up to two may be teachers of the institution, nominated by the academic board, and up to two may be students of the institution, nominated by the students

- at least one and not more than nine shall be co-opted members, nominated by the members of the board of governors who are not co-opted members.

3.26 The co-opted membership may include members of staff, whether teachers or not, and at least one of the co-opted members must have experience in the provision of education. Elected members of any local authority are excluded from membership of the board of governors, other than as co-opted members.

3.27 Subject to the above maxima and minima, the board of governors itself can determine the number of members in each variable category, but must ensure that at least half of all members of the board are independent members.

Academic Board

3.28 Boards normally meet between three and six times a year. A great deal of board business may be dealt with through committees such as a finance and employment committee. As a result of carrying out effectiveness reviews of how they conduct their business, many boards are seeking to organise their agendas in such a way as to give more time to the issues which are of major significance to the institution.

3.29 The academic board is responsible for academic affairs, including academic standards, research, scholarship, teaching and courses at the institution, and for considering the development of the academic activities of the institution, subject to the overall responsibilities of the governing body and the head of the institution.

3.30 Where the power to award degrees exists (as it does for all post-1992 universities and some higher education colleges), it is provided under the Further and Higher Education Act 1992 which specified that this power should rest with the board of governors. The academic board's responsibility for the administration of any awards is therefore by virtue of delegation from the board of governors.

3.31 The articles specify that the academic board should normally consist of not more than 30 members, although exceptionally membership of up to 40 may be permitted. Additionally, the articles state that individuals in senior management positions (ie deputy and assistant principals, deans of faculty or equivalent, heads of schools and departments) must make up at least 50 per cent of the membership.

Officers

3.32 The articles of government of the post-1992 universities and colleges make provision for each institution to designate and appoint to senior posts, which must include those of the principal and the clerk to the board of governors. A brief description of senior positions follows.

3.33 **Chancellor** – some of the post-1992 universities have appointed chancellors who carry out ceremonial functions – for example, conferring degrees at degree congregations.

3.34 **Chairman of the board of governors** – in the post-1992 universities and other higher education corporations, the chairman of the board of governors is appointed by the board from among its independent members.

3.35 **Head of the institution** – subject to the responsibilities of the board of governors, the head of the institution is the chief executive of the institution, and is responsible for:

- making proposals to the board of governors about the educational character and mission of the institution, and for implementing the decisions of the board of governors
- the organisation, direction and management of the institution and leadership of the staff
- the appointment, assignment, grading, appraisal, suspension, dismissal, and determination – within the framework set by the board of governors – of the pay and conditions of service of staff other than the holders of senior posts
- the determination, after consultation with the academic board, of the institution's academic activities, and for the determination of its other activities
- preparing annual estimates of income and expenditure, for consideration by the board of governors, and for the management of budget and resources, within estimates approved by the board of governors
- the maintenance of student discipline and, within the rules and procedures provided within the articles, for the suspension or expulsion of students on disciplinary grounds and for implementing decisions to expel students for academic reasons.

3.36 **Deputy (or deputies) to the head of the institution** – the deputy (or deputies) to the head of the institution assist the head of the institution and have specific management responsibilities. In some institutions they are appointed on a permanent basis and in others for a fixed term. They may be responsible for providing leadership in academic or related functions. In some instances they may be designated as pro-vice-chancellors.

3.37 **Secretary (or clerk) to the board of governors** – the secretary or clerk to the board normally has other management responsibilities within the institution. Some are designated as secretary or registrar, and some are designated as a deputy or pro-vice-chancellor.

Membership of the Institution

3.38 Most of the institutions formerly funded by the PCFC were incorporated under the Education Reform Act 1988 as higher education corporations. Membership of the corporation in these institutions is identical with membership of the board of governors.

4 Conduct of Governing Body Business

Proper Conduct of Public Business

4.1 Governing bodies are entrusted with public funds and therefore have a particular duty to fulfil the highest standards of corporate governance at all times, and to ensure that they are discharging their duties with due regard for the proper conduct of public business. Institutions of higher education were included among the public spending bodies examined by the Committee on Standards in Public Life, and consequently members of governing bodies should observe the Seven Principles of Public Life drawn up by the committee. These principles are as follows:

- **Selflessness**. Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their families or their friends
- **Integrity**. Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties
- **Objectivity**. In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merit
- **Accountability**. Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office
- **Openness**. Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands
- **Honesty**. Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest
- **Leadership**. Holders of public office should promote and support these principles by leadership and example.

4.2 Attention is also drawn to the House of Commons Public Accounts Committee's Report on the Proper Conduct of Public Business (8th Report, January 1994).

4.3 This section outlines the general rules and conventions for the conduct of the business of governing bodies of higher education institutions, and particularly those features which assist with compliance with the principles mentioned above. Members of governing bodies of church colleges are likely to have additional responsibilities not covered in this Guide, relating to their institution's providing body and in their capacity as trustees.

Procedural Matters

4.4 The governing body must meet regularly and at reasonably frequent intervals. The agenda and supporting papers should be circulated in advance and the decisions minuted.

4.5 Certain items may be declared to be 'reserved', that is business which for reasons of confidentiality is not open to discussion by the whole governing body.

4.6 In order to function efficiently, the governing body must have rules for the conduct of its meetings. Issues for which rules are required include, but are not restricted to: procedures for voting, rescinding decisions, calling extraordinary meetings, and declaring business reserved; requirements for a quorum; and the frequency of meetings. The rules governing some of these issues are specified in the statutes of pre-1992 universities or the articles of post-1992 universities and colleges. The institution should draw up standing orders to regulate those aspects of the conduct of governing body business which are not already prescribed by the statutes or articles. Additionally, the institution's standing orders can usefully reiterate the relevant provisions of the statutes or articles in order to consolidate all the material for ease of reference.

4.7 Members of governing bodies should refer to their secretary for further information about the rules applying in their own institutions.

Corporate Decision Making

4.8 The governing body should exercise its responsibilities in a corporate manner; that is to say, decisions should be taken collectively by the members acting as a body. Members should not act individually or in informal groupings to take decisions on governing body business on an ad hoc basis outside the constitutional framework of the meetings of the governing body and its committees.

Role of the Chairman

4.9 The chairman is responsible for the leadership of the governing body. As chairman of its meetings he/she should promote its well being and efficient operation, ensuring that its members work together effectively and have confidence in the procedures laid down for the conduct of business. A chairman should take particular care that the governing body observes the Seven Principles of Public Life (see paragraph 4.1), and that committees which play a central role in the proper conduct of the governing body's business report appropriately to the governing body. The chairman should also ultimately be responsible for ensuring that the governing body operates effectively, discusses those issues which it needs to discuss, and dispatches its responsibilities in a business-like way.

4.10 Through leadership of the governing body, the chairman plays a key role in the business of the institution, but should take care not to be drawn into the day-to-day executive management. For the governing body to be effective, there must be a

constructive working relationship between the chairman and the executive head of the institution. This relationship will depend on the personalities involved, but recent reports by the National Audit Office have emphasised the need for both sides to recognise that the roles of chairman and executive head are formally distinct. The relationship should be mutually supportive, but must also incorporate the checks and balances imposed by the different roles each has within an institution's constitution.

4.11 Lay or independent members of the governing body should also take care not to become involved in the day-to-day executive management of the institution. This also applies to the staff and student members of a governing body, except that in the course of their employment or in their activities as students, they may have executive responsibilities of some kind within the institution.

Role of the Executive Head of the Institution in Relation to the Governing Body

4.12 The governing body is responsible for determining the overall strategic direction of the institution. It establishes the budgetary framework, appoints the head of the institution (in conjunction with the senate in pre-1992 universities) and exercises general oversight over the institution's performance and development. The head of the institution is responsible (subject to the powers of the senate in the pre-1992 universities) for the executive management of the institution and its day-to-day direction. The executive head should not seek to determine matters reserved for the governing body.

4.13 The specific responsibilities of the head of the institution in relation to governing body business include:

- implementing the decisions of the governing body or ensuring that they are implemented through the relevant part of the institution's management structure
- initiating discussion and consultation including, where appropriate, consultation with the staff and the academic board/senate on proposals concerning the institution's future development, and ensuring that such proposals are presented to the governing body
- fulfilling the duty, as the officer designated by the governing body under the terms of the Funding Council's Financial Memorandum (see paragraph 4.14), to alert the governing body if any actions or policy under consideration would be incompatible with the terms of the Financial Memorandum. If the governing body nevertheless decides to proceed, then the head of institution has a duty to inform the Chief Executive of the Funding Council, or the Permanent Secretary of the Department of Higher and Further Education, Training and Employment (DHFETE) in Northern Ireland (formerly DENI).

Role of the Secretary to the Governing Body

4.14 The secretary has a key role to play in the operation and conduct of the governing body, and in ensuring that appropriate procedures are followed:

- The secretary or clerk to the governing body should be appointed to that post by the governing body.
- It is normally the case that the secretary combines this function with a senior administrative or managerial role within the institution. The institution and the secretary must exercise great care in maintaining a separation of the two functions. Irrespective of any other duties that the secretary may have within the institution, when dealing with governing body business the secretary will act on the instructions of the governing body itself.
- In his/her role as secretary, the secretary should be solely responsible to the governing body and should therefore have a direct reporting link to the chairman of the governing body for the conduct of governing body business (ie agendas, papers, minutes etc).
- The chairman and members of the governing body should look to the secretary for guidance about their responsibilities under the charter, statutes, articles, ordinances and regulations to which they are subject, including legislation and the requirements of the Funding Council, and on how these responsibilities should be discharged. It is the responsibility of the secretary to alert the governing body if he/she believes that any proposed action would exceed the governing body's powers or be contrary to legislation or to the Funding Council's Financial Memorandum. (Note: the vice-chancellor, as the officer designated by the governing body under the terms of the Funding Council's Financial Memorandum, is formally responsible for alerting the governing body if any action or policy is incompatible with the terms of the Financial Memorandum – see paragraph 4.13 – but this cannot absolve the secretary from having this responsibility as well).
- The secretary should be solely responsible for providing legal advice to or obtaining it for the governing body, and advising it on all matters of procedure.
- The secretary should advise the chairman in respect to any matters where conflict, potential or real, may occur between the governing body and the chief executive.

4.15 It is incumbent on the governing body to safeguard the secretary's ability to carry out these responsibilities. It is important that the secretary also both consults and keeps the vice-chancellor fully informed on any matter relating to governing body business (other than in relation to the Remuneration Committee's consideration of the vice-chancellor's emoluments). It is good practice for the chairman of the governing body, the vice-chancellor and the secretary to the governing body to work closely together within the legal framework provided by the charter, statutes or articles of

government and the ordinances and regulations laid down by the institution and the Funding Councils' Financial Memorandum. Some NAO reports have suggested that in some institutions this has not been possible because of inappropriate conduct by one of the parties involved.

4.16 If there is a conflict of interest, actual or potential, on any particular matter, between the secretary's administrative or managerial responsibilities within the institution and his/her responsibilities as a secretary to the governing body it is the responsibility of the secretary to draw it to the attention of the governing body. If the governing body believes that it has identified such a conflict of interest itself the chairman should seek advice from the vice-chancellor, but must offer the secretary an opportunity to respond to any such question.

4.17 Further guidance on the role of secretaries to governing bodies is provided in the following publications:

- *The Guide for Clerks to Governors of Higher Education Corporations*, published by the Higher Education Funding Council for Wales
- *The Guide for Clerks to Further Education Corporations*, published by the Further Education Funding Council for England and issued in a revised edition for Wales by the Welsh Office and the Further Education Funding Council for Wales.

Matters Concerning Members of the Governing Body

4.18 It is central to the proper conduct of public business that chairs and members of governing bodies should act and be perceived to act impartially, and not be influenced in their role as governors by social or business relationships. A member of a governing body who has a pecuniary, family or other personal interest in any matter under discussion at any meeting of the governing body or one of its committees at which he/she is present shall as soon as practicable disclose the fact of his/her interest to the meeting and shall withdraw from that part of the meeting. A member of the governing body is not, however, considered to have a pecuniary interest in matters under discussion merely because he/she is a member of staff or a student of the institution. Nor does the restriction of involvement in matters of direct personal or pecuniary interest prevent members of the governing body from considering and voting on proposals to insure the governing body against liabilities which it might incur.

4.19 Institutions should have a register of interests of members of the governing body. The register should be publicly available and should be kept up to date.

Members as Representatives

4.20 Members nominated by particular constituencies should not act as if delegated by the group they represent. No member may be bound, when speaking or voting, by mandates given to him/her by others, except when acting under approved arrangements as a proxy for another member of the governing body.

Induction and Development

4.21 Members of the governing body, when taking up office, should be fully briefed on the terms of their appointment and be made aware of the responsibilities placed on them for the proper management of the institution. They should receive copies of relevant background documents at the time of their appointment. These could include, for example, a copy of this Guide; the institution's annual report, financial statements, and financial forecast; the overall strategic plan, and strategy documents covering areas such as learning and teaching, research, widening participation and estates; notes describing the institution's organisational structure; and the rules and procedures of the governing body. It is also important for governing bodies to provide an induction or briefing session for new members, in order to explain their responsibilities, the function of the governing body and other organisations within HE, and the strategic objectives of the institution.

4.22 Following initial induction, members should regularly receive copies of both the institution's newsletter and the CUC's Newsletter, which is published three times a year, and appropriate publicity material about the institution to help them stay up-to-date with developments. There is an onus on members to keep themselves informed.

4.23 The CUC provides a governor development programme. This includes an induction seminar for new members of governing bodies which is intended to supplement and follow on from institutions' own induction arrangements. Institutions are strongly encouraged to nominate new members to attend. A full timetable for the governor development programme is issued at the beginning of each academic year.

Expenses

4.24 The governing body has no power to remunerate its members, but it may pay such travelling, subsistence or other allowances as it may determine.

Personal Liability

4.25 The law relating to the personal liabilities of members of governing bodies is complex and its interpretation is ultimately a matter for the courts. This Guide does not therefore attempt a statement of the law, but offers some general guidance on conduct, to avoid actions which could involve a personal liability. Members of governing bodies should satisfy themselves that they understand their own position in their particular institution, and should:

- act honestly, diligently and in good faith
- be satisfied that the course of action proposed is in accordance with the institution's statutes or instruments and articles of government
- not bind the institution to a course of action which it cannot carry out
- seek to ensure that the institution does not continue to operate if it is insolvent

- seek to persuade colleagues by open debate, and register dissent if they are concerned that the action would be contrary to any of the above
- avoid putting themselves in a situation where there is actual or potential conflict between their interests and those of the institution.

4.26 If this advice is followed it is unlikely that personal liability could arise, particularly since the powers and responsibilities of governing bodies are exercised in a collective manner and decisions are made by formal resolution. Moreover, the higher education institution is a separate legal entity, distinct from its members or officers. However, claims may be made in relation to the collective decisions and actions of the governing body. The Funding Councils have drawn the attention of governing bodies to the desirability of taking out insurance against the costs of any claims of negligence that may be made against members of the governing body in carrying out their duties. Institutions have been given details of brokers who are able to offer appropriate schemes.

Strategic Planning

4.27 The governing body will rely on the executive head of the institution to be responsible for the operational management of the institution, and to offer guidance to the governing body on issues coming before it. However, the governing body will have a particular concern for the strategic development of the institution. It should consider and approve the institution's strategic plan, which influences and guides all decisions coming before the governing body. It should also approve an annual operating plan which identifies those aspects of the strategic plan being implemented in the year in question.

4.28 Strategic plans play an important role in informing the relationship between institutions and the Funding Councils.

4.29 The HEFCE asks institutions to provide a copy of their strategic or corporate plan on an agreed three year cycle. The expectation is that the plan looks forward five to ten years or more, setting out the institution's key strategic aims and objectives, and integrates the main areas of institutional activity. As such a plan might cover:

- the mission or vision
- external and internal factors likely to impact on the institution and how the strategy responds to these
- the current strategic position of the institution
- long-term aims
- principal objectives
- financial strategy
- main proposals for implementation and associated targets.

4.30 Good practice guidance is offered in *Strategic planning in higher education: a guide for heads of institutions, senior managers and members of governing bodies* (HEFCE 00/24). This contains an annex specifically on the role of the governing body in relation to strategic planning.

4.31 The HEFCE also asks each HEI for an annual operating statement which summarises its current position and strategic priorities, and provides an assessment of progress against a range of objectives.

4.32 The Funding Councils have adopted the guidance produced by the Turnbull Committee, which recommends a risk-based approach to internal control. The HEFCE is issuing guidance to the HE sector which will assist governors and managers in implementing risk management in their institutions. HEFCE's Accounts Direction for 2000-01 provides for a transitional timetable for compliance with the principles of corporate governance, including risk management, to be achieved by the year ending 31 July 2003.

Delegation

4.33 Where permissible, the governing body may delegate some of its work to committees, grant delegated authority to the chairman to act on its behalf, and delegate responsibility to the executive head and officers of the institution. Such delegations must be clearly defined in writing. Having delegated authority to other bodies or individuals to act on its behalf, the governing body is nevertheless still ultimately accountable and has to accept corporate responsibility for the actions taken.

Delegation to the Chairman

4.34 The governing body may grant delegated authority to the chairman to act on its behalf between meetings. Policy on this matter should be defined in the governing body's standing orders. Action taken under delegated authority will normally consist of routine business which would not have merited discussion at a governing body meeting (such as the signing of routine documents, and detailed implementation of matters already agreed by the governing body).

4.35 Occasionally, matters may arise which are judged too urgent and important to await the next meeting of the governing body. The chairman then has the option of calling a special meeting, consulting the members of the governing body by correspondence, or dealing with the matter by chairman's action. The chairman should be careful not to take decisions by chairman's action where it is inappropriate to do so, and not to exceed the scope of the delegated authority granted by the governing body. Chairman's action on matters of importance should only be taken where delaying a decision would disadvantage the institution.

4.36 The chairman is answerable to the governing body for any action which he/she takes on its behalf. Where chairman's action is taken, a written report should be made to the next meeting of the governing body.

Delegation to Committees and Retention of Key Functions

4.37 It is common practice for the governing body to delegate some of its work to committees such as a planning and resources committee, or finance and general purposes committee. In deciding which tasks should be delegated to committees, the governing body should retain a formal schedule of matters reserved to it for its collective decision. Such matters are likely to include final decisions on issues of corporate strategy, such as those identified in paragraph 4.29 above, and the review and approval of the institution's financial forecasts and financial statements.

4.38 The articles of all institutions previously funded by the PCFC or Welsh LEAs list key areas which the governing body may not delegate to committees. They also state that the governing body must establish committees on employment policy and finance (without delegating to them the essential decision-making functions in these areas).

4.39 All committees must be provided with a clear remit and written terms of reference, clearly stating the extent and limits of the committee's responsibilities and authority. Committees must take care not to exceed their terms of reference and should be so advised by the secretary to the governing body. Committees should distinguish between issues on which they are empowered to take decisions, and issues which they must remit to the governing body for decision. Where a committee is acting under delegated powers it should submit regular written reports to the governing body on decisions which it has taken on the governing body's behalf.

4.40 Membership of committees provides a particular opportunity for members of the governing body to contribute their expertise to the institution.

Committees and the Proper Conduct of Public Business

4.41 There are three committees which should play a central role in supporting the proper conduct of the governing body's business: an audit committee, a remuneration committee and a nominations committee.

Audit Committee

4.42 The role of the audit committee is covered in Section 5.

Remuneration Committee

4.43 Governing bodies should establish a remuneration committee to determine and review the salaries, terms and conditions (and, where appropriate, severance payments) of the head of the institution and such other members of staff as the governing body deems appropriate. A minimum membership of such a committee should be the chairman of the governing body and at least three other lay/independent members, including the lay treasurer if such an office exists. The head of the institution should also be a member of the committee for all salaries except his/her own. Any member of staff should withdraw

from the committee when his/her own salary, terms and conditions or severance payments are under consideration.

4.44 The remuneration committee should seek comparative information on salaries and other benefits and conditions of service in the higher education sector. Two sources of information are available: the CUC has a database of salaries, benefits and conditions of service for heads of institution (currently available only to chairmen of governing bodies); and the Universities and Colleges Employers' Association (UCEA) collects data on the salaries of other highly-graded staff.

4.45 When considering severance arrangements for senior staff, the remuneration committee must represent the public interest and avoid any inappropriate use of public funds. The committee should be careful not to agree to a severance package which staff, students and the public might deem excessive. Contracts of employment for senior staff should specify periods of notice of not more than 12 months, and should not provide for pension enhancements. The Funding Councils issued guidance to institutions on good practice in relation to severance agreements in Circular Letter 7/97 (available on the HEFCE web-site).

Nominations Committee

4.46 Governing bodies should establish a nominations committee to seek out and recommend new lay/independent co-opted members to the appointing body. The nominations committee should be chaired by the chairman of the governing body, and should include at least three lay/independent/co-opted members of the governing body, the head of the institution and at least one senior member of the academic staff.

4.47 Vacancies for lay/independent members and co-opted members should be publicised, and staff and students as well as members of the governing body should be invited to submit names to the clerk of the governing body for transmission to the nominations committee. This will ensure that a wide trawl for names is achieved. However, in making its report to the governing body, the nominations committee must pay regard to the balance of membership and the needs of the institution. The question of the inclusion of appropriate members of the local community should also be addressed. In the pre-1992 universities the nominations committee's recommendations should be approved by the whole governing body. In the institutions formerly funded by the PCFC or Welsh LEAs, decisions on the appointment of independent members must be approved by the independent members, but the whole governing body should discuss the nomination committee's reports before the independent members take their decision.

Rotation of Members

4.48 Continuity of membership, particularly of key members, is often important to an institution, but so is the need for new blood. Lay/independent members should

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be appointed for a given term, which should be renewable. In some pre-1992 universities, the period of the appointment is laid down in the statutes, but more often it is either left to the ordinances or not prescribed at all. The renewal of any appointment should not be automatic, but should be recommended by the nominations committee as part of its report on filling vacancies. In normal circumstances, continuous service beyond three terms of three years or two of four is not desirable (although exceptions may be permitted). After this point members should normally retire so that the governing body can appoint new people. There should be no bar to a particularly valued member returning if a vacancy occurs in future years. An upper age limit of 70 for re-appointment should be considered as good practice, but could be the subject of special dispensation by the governing body. Where a member is elected chairman of the governing body or to some other statutory office such as pro-chancellor or treasurer, he/she would automatically begin a new term of membership linked to the office.

4.49 The re-appointment or replacement of the chairman of the governing body should be considered carefully and in good time during the term of the appointment. There are variations of practice in the length of term for which the chairman is normally appointed. However, the re-appointment of a chairman beyond two terms of four years, or the equivalent, should be regarded as exceptional.

Representation of Staff and Students on Governing Bodies

4.50 The statutes of the pre-1992 universities normally provide for membership of the governing body by representatives of the academic staff and students (and in some cases non-academic staff); this is integral to the nature of governance in those institutions. In institutions formerly funded by the PCFC or Welsh LEAs these categories of members can be excluded by decision of the governing body. However, the representation of staff and students on the governing body is important in all institutions, and it is strongly recommended that governing bodies should not exercise their power to exclude such members. If, nevertheless, a governing body does decide to exclude them, it should record formally in its minutes the grounds for its decision, and should publish these grounds within the institution and inform the Funding Council.

Principles of Openness and Transparency in the Operation of Governing Bodies

4.51 The general principle applies that students and staff of the institution should have access to information about the proceedings of the governing body. The agenda, draft minutes if cleared by the chairman, and the signed minutes of governing body meetings, together with the papers considered at meetings, should generally be available for inspection by staff and students. There may, however, be matters covered in standing orders where it is necessary to observe confidentiality. Such matters are likely to concern individuals or have a 'commercial' sensitivity. Good practice for all institutions might include placing copies of the governing body's minutes in the library, reporting on

decisions in a newsletter, and ensuring that the annual report and accounts are circulated to academic departments and the students' union.

4.52 The institution's annual report and financial statements should be made widely available outside the institution, and ways should be found for the public, or the local community, to comment on matters to do with the institution that concern them.

4.53 Institutions should consider what is the appropriate means to put this into effect. The statutes of most pre-1992 universities include provision for a court, with a wide membership drawn on a representative basis from external bodies, whose terms of reference meet these criteria. Some of the post-1992 universities, whose articles do not provide for a court, have nevertheless decided to establish representative bodies which have a broadly similar function. In any event, institutions should ensure that machinery exists whereby they maintain a dialogue with appropriate organisations in their communities.

4.54 The Second Report of the Committee on Standards in Public Life stated that institutions should publish key information to a common standard, including material on governance, in their annual reports. The following good practice is recommended:

- financial statements (annual accounts) should include a statement which covers the responsibilities of the governing body in relation to financial management and the financial aspects of corporate governance. A model is included in the specimen financial statements attached to the Statement of Recommended Practice (SORP) on Accounting in Higher Education Institutions, which was published by Universities UK (formerly the CVCP), Universities Scotland (formerly COSHEP), and SCOP in 2000. The model will require adjustment to reflect the internal structures of individual institutions, but should otherwise be followed

- the annual report should also include a corporate governance statement which sets out the institution's legal status and broad constitutional arrangements, recognises the Seven Principles of Public Life and indicates how they are implemented (see paragraph 4.1), and takes account of the wide range of constituencies to which the institution reports. Model statements for both the pre-1992 universities and the post-1992 universities and colleges are included at Annex J of this Guide. These are intended as indicators of good practice, and will require adjustment to reflect the particular circumstances of individual institutions.

Review of the Effectiveness of the Governing Body and the Institution

4.55 The governing body will be assisted in the discharge of its responsibilities if it has a clear and accurate understanding of the institution's overall performance. It is recommended that governing bodies should review both their own effectiveness and the institution's performance at regular intervals. Any such review of performance should take into account the views of the senate or academic board, and should be reported upon appropriately within the institution and outside. The CUC has provided a composite checklist of possible review points in Annex 5 of the Progress Report of its Working Party on the Effectiveness of University Governing Bodies. The CUC's *Review of University Governance 1997-2000* reports on the conduct of university efficiency reviews and on these findings (see Bibliography Annex L). Since it is likely that the Funding Councils may seek information on the reviews of governing bodies' effectiveness, some written report on this at the conclusion of the review may be desirable. Institutions are advised that the reviews of their own performance should most appropriately be reported in their annual report, or in whatever equivalent report they produce for general external circulation.

5 The Regulation of Financial Affairs

Internal Financial Control Mechanisms

5.1 Institutions need to ensure that they have a sound system of internal financial control, which includes the management of risk. Essential elements of such a control system are:

- effective review by lay members
- managerial control systems which include defining policies, setting objectives and plans, identifying key risks and opportunities, and monitoring financial and other performance
- financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems
- an effective internal audit function
- an effective system for the identification and management of risk.

5.2 In formal terms, internal financial control is usually exercised through a committee system. The governing body has overall responsibility for institutional activities and finances. Many institutions have established a planning and resources committee to consider strategic plans and the allocation of resources to meet such plans. Detailed monitoring of the financial position and financial control systems is normally the responsibility of a finance committee or equivalent.

5.3 The Accounts Direction from the Funding Councils requires institutions to include a statement in the corporate governance section of their annual financial statements, confirming that they have reviewed the effectiveness of the internal control system.

5.4 In practice, day-to-day financial control is exercised by officers of the institution. Many pre-1992 universities also have a lay treasurer (or equivalent), often someone with a financial background, who has a constitutional role in presenting financial statements and reports to the governing body. However, the practical responsibility for administering the finances and advising on financial matters usually falls to a professional full-time employee, generally designated as director of finance. That individual must have access to the head of the institution whenever he/she deems it appropriate.

5.5 The essential element of financial management is the annual budget. This is an income and expenditure plan which seeks to identify and quantify the revenue resources available to the institution, and to relate expenditure to strategic and operational plans and available income.

5.6 In conjunction with the revenue budget, a capital budget should also be prepared, prioritising approved building projects and identifying the funding sources and strategies needed to fund such projects.

5.7 Once budgets have been approved, it is important that heads of budgetary units are provided with regular financial information to help them manage resources for which they are accountable. Current trends are to devolve more resources to budgetary units, and to allow them flexible management and virement within prescribed parameters. However, such devolved budgetary arrangements require sound information systems to support them. The governing body should also receive summarised financial and management information, as and when it is needed to inform its decisions.

5.8 Institutions should have an internal manual of financial procedures and regulations. The manual should set out the role of committees, the responsibilities and limits of authority of senior staff, and details of the procedures and rules to be followed in the day-to-day financial transactions. There should also be clear policies on treasury management, investment management, risk management and insurance, debt collection and claiming of grants. These should be periodically reviewed to ensure that they are up-to-date.

5.9 Attention is drawn to the publication *Effective financial management in higher education: a guide for governors, heads of institutions and senior managers* (HEFCE 98/29), which offers guidance on the maintenance of robust procedures for financial management. The integration of financial management into wider planning is covered in the HEFCE guide to strategic planning (HEFCE 00/24).

Audit and the Audit Committee

5.10 While the responsibility for devising, developing and maintaining control systems lies with management, internal audit has a key role in providing a service to the institution and giving assurance on the adequacy and effectiveness of the internal control system. In addition to its role in ensuring probity, the internal audit service should also assist in ensuring value for money. Where an institution employs an external company to provide an internal audit service, the CUC recommends that care be taken to ensure that this company is fully separate from the company that provides the external audit service.

5.11 The Funding Councils require institutions to appoint an audit committee and provide for internal and external audit in accordance with the Audit Codes of Practice. These were revised and re-issued by the HEFCE in 1998 (HEFCE 98/28) and by HEFCW in 1999 (W99/34HE).

5.12 The audit committee should be a small, authoritative body which has the necessary financial expertise and the time to examine the institution's financial affairs more rigorously than the governing body as a whole. It should not confine itself to financial systems and details but should be prepared to take an independent stance, examine matters critically and be alert for potential areas of concern (including fraud and malpractice), which it should then bring to the attention of the governing

body. The audit committee should also be in a position to form an opinion of the institution's arrangements to promote efficiency, economy and effectiveness, and to secure value for money in all areas. The committee is responsible for producing an annual report for the governing body.

5.13 The Funding Council's Audit Code of Practice specifies that the audit committee shall consist of at least three members of the governing body and that, in order to preserve their independence, members of the audit committee must not have any executive responsibility for the day-to-day management of the institution. They should not serve on the institution's finance committee or planning and resources committee unless, exceptionally, the institution demonstrates that this is unavoidable for practical or statutory reasons, and obtains special permission from the Funding Council. At least one member of the committee should have a background in finance, accounting or auditing; the committee can co-opt members with particular expertise.

5.14 In summary, the specific responsibilities of members of the governing body in respect of audit are:

- to appoint the audit committee
- to consider, and where necessary, act on an annual report from the audit committee
- to consider and approve the strategic plan of the internal audit service (unless this is delegated to the audit committee)
- to appoint the external auditors (unless this function is delegated to the audit committee)
- to receive and approve the annual financial statements after they have been audited by the external auditors, and to forward the external auditors' management letter to the Funding Council.

Requirements of the Funding Councils

5.15 In addition to the requirement for an audit committee, the Funding Councils place a number of other requirements for financial accountability on institutions as a condition of funding. These requirements are set out in a Financial Memorandum issued to each institution. The main provisions are as follows:

- institutions must ensure that they have a sound system of internal financial management and control
- the governing body is responsible for ensuring that funds from the Funding Council are used only in accordance with:
  - the terms of the Financial Memorandum
  - the terms of the Further and Higher Education Act 1992 or, in the case of

Northern Ireland, the Education and Libraries (NI) Order 1993. These specify that Funding Council funds must be spent only on the provision of education and the undertaking of research, or on facilities and activities which are required for these purposes

- any other conditions which the Funding Council may from time to time prescribe

- the governing body must designate a principal officer of the institution who is responsible for satisfying the governing body that the institution is complying fully with the terms relating to the use of Funding Council funds. The governing body invariably designates the executive head of the institution as the principal officer

- institutions must keep proper accounting records and submit audited financial statements to the Funding Council by 31 December following the end of the financial year. The financial statements must conform to the Funding Councils' Accounts Direction which is based on the Statement of Recommended Practice: Accounting in Further and Higher Education Institutions as accepted by the Accounting Standards Board

- institutions must ensure that the total income for the financial year will be sufficient to cover total expenditure, taking one year with another

- the Accounts Direction also requires that the annual financial statements must disclose: the total emoluments of the head of the institution; the number of staff paid more than £50,000 a year, listed in bands of £10,000; and any compensation in respect of loss of office paid to the head of the institution or to staff earning more than £50,000.

5.16 As a prerequisite of funding, the Funding Councils also require all institutions to demonstrate longer-term planning by submitting a full strategic plan on a three year cycle, and an annual operating statement, together with a number of strategic statements covering particular areas of activity supported through special funding.

5.17 The Funding Councils also specify procedures to be followed in relation to increasing thresholds for long-term and short-term borrowing, and the use by institutions of publicly funded assets as security for borrowing.

Procurement

5.18 The National Audit Office report, *Procurement in the English Higher Education Sector* (HC 437 Session 1998-99 27 May 1999) found that the sector had made substantial progress, since its 1993 report, in improving procurement practices, but that further savings could be achieved. The report included a number of recommendations to encourage further collaboration between institutions, improve performance measurement, and spread the use of procurement expertise and good practice within universities and colleges. It concluded that:

- although substantial savings had now been made, there was scope for further savings
- the key factors influencing the level of savings were the existence of formal procurement strategies and the employment of a specialist member of staff with responsibility for procurement.

5.19 All procurements should be undertaken on the basis of full and open competition so that the institution can be assured that it is securing the best that the market can provide at the most competitive price.

5.20 As noted in paragraph 4.18 above, it is essential that members of governing bodies guard against conflicts of interest. Particular areas of vulnerability are the invitation of tenders and the award of contracts. The institution should ensure that procedures are laid down for the issue, receipt, opening and consideration of tenders, and for the award of contracts above a specified value. These procedures should establish whether members of the governing body or of the staff are to be involved at any particular stage or level; and should make specific provision to exclude from the process anyone (whether a member of the governing body or a member of staff) who might have a declarable interest in it. The procedures should be approved by the governing body, and should be included in the institution's internal manual of financial rules and procedures.

5.21 The institution's head of procurement should have access to the Register of Members' Interests so that he/she is aware of any connections which members of the governing body may have with potential suppliers.

5.22 Companies that do have a connection with a member of the governing body should not automatically be debarred from tendering for business from the institution. The exclusion of such companies might deprive the institution of a particularly valuable supplier, and could deter individuals with industrial or commercial interests from serving on governing bodies. However, in such circumstances:

- the member concerned should consider carefully how their involvement is likely to be perceived by the wider community; if in any doubt, they should consult the chairman
- if the procurement is discussed by the governing body, the member concerned should make a formal statement of their involvement with the company (supplementing the declaration already contained in the Register of Members' Interests) and should withdraw from the meeting for that item. This should be recorded in the minutes.

5.23 Members of the governing body should avoid becoming involved in procurement decisions on an informal basis (for example by providing ad hoc advice to an officer outside committee meetings). All contributions to the decision should be channelled formally through the committee system, so that they may be properly documented and open to wider scrutiny.

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6 Staffing Matters

The Governing Body as Employer

6.1 In the pre-1992 universities, all appointments and contracts of employment are made on the authority of the council, even though in practice the council generally delegates these responsibilities. The institution is the legal employer.

6.2 In institutions formerly funded by the PCFC or the Welsh LEAs the articles specify that the board of governors is responsible for the appointment of the head of the institution, the clerk to the board of governors and such other senior post-holders as the board may determine. These staff together are referred to as 'senior post-holder' in this Guide. The articles also specify that the head of the institution is responsible for the appointment of all other staff.

6.3 In both the pre-1992 universities and the institutions formerly funded by the PCFC or the Welsh LEAs the governing body has responsibility for the institution's employment policy. This includes matters such as:

- ensuring that pay and conditions of employment are properly determined (see paragraph 6.4 below)
- ensuring that the institution complies with the requirements of employment law, including equal opportunity legislation and the provisions of the Disability Discrimination Act 1995
- ensuring that there are policies and procedures for appointments, promotion, staff development and appraisal.

Pay and Conditions of Service: the Universities and Colleges Employers Association

6.4 The Universities and Colleges Employers Association (UCEA) was established as an agency of Universities UK (formerly the CVCP), the CUC and SCOP to provide a single employers' organisation for the higher education sector. Its objectives are:

- to provide a framework within which representatives of institutions can discuss salaries, conditions of service, employee relations and all matters concerned with the employment of staff, including the negotiation of salaries, terms of service and employment-related matters on behalf of any institution
- to act as a consultant and adviser to institutions on employment matters.

6.5 Membership of UCEA is open to all UK higher education institutions and it is financed by subscriptions from member institutions. Its services are available only to subscribing members.

6.6 UCEA has a board of directors nominated by Universities UK, the CUC, SCOP and Universities Scotland.

6.7 Salary negotiations are undertaken at national level by UCEA on behalf of all categories of higher education institutions. Governing bodies are free to choose whether or not to implement the national agreements (subject, of course, to any contractual positions to the contrary). In the case of institutions formerly funded by the PCFC or the Welsh LEAs, the UCEA is also involved in national negotiations concerning conditions of employment of academic staff. It does not, however, perform this function for the pre-1992 universities because they determine conditions of employment for their own academic and academic-related staff at the institutional level.

Suspension and Dismissal of Staff

6.8 The statutes of the pre-1992 universities specify procedures covering the following:

- suspension or dismissal of academic staff for misconduct or other 'good cause'
- dismissal of academic staff for other reasons, including by reason of redundancy or incapacity
- dismissal of senior post-holders
- arrangements for academic staff to seek redress for any reasons relating to their employment.

Note: 'Academic staff' is defined in some institutions to include academic-related staff.

6.9 In the pre-1992 universities, the Education Reform Act 1988 introduced provision for the dismissal, by reason of redundancy, of academic staff appointed or promoted after November 1987. The governing bodies of these institutions are responsible for approving any policy of making redundancies among academic staff, whether across the institution as a whole or in specific subject areas, and for appointing a redundancy committee to select and recommend to the governing body the members of staff to be made redundant. The position in relation to the dismissal of academic staff appointed before November 1997 depends on the particular university's statutes, ordinances and contracts of employment. The governing bodies of pre-1992 universities are also responsible for appointing individuals or bodies (as specified in the articles or statutes) to hear disciplinary charges which could result in the dismissal of academic staff, and to hear appeals and grievances from academic staff.

6.10 The articles of government of HE colleges and post-1992 universities require the governing body to make rules relating to the conduct of staff (ie disciplinary procedures), to the suspension of staff and to grievance procedures. The articles also contain rights of appeal against suspension or dismissal.

Independent Review of Staff Grievances

6.11 The Second Report of the Committee on Standards in Public Life recommended that institutions should establish a system of independent review for all staff, to be invoked when internal avenues for resolving a staff grievance have been exhausted. In those pre-1992 universities which have a Visitor, this recommendation is partly met by the provision that complaints, other than in employment matters, may be determined by the Visitor on petition from a member of the university. This provision does not, however, cover all categories of staff as normally only academic staff, and in some instances academic-related staff, are classified as members of the university.

6.12 The passage of the Human Rights Act in October 2000 has raised new questions about the need for independent review mechanisms including whether the Visitor system, as currently operated, fully meets the Act's requirements. This matter is still under consideration by Universities UK and – where the Visitorial powers are exercised on behalf of the Queen by the Privy Council or the Lord Chancellor's Department – by the respective officers of the Crown themselves. In the meantime, it is recommended that the availability of the Visitor to carry out an independent review should be widely publicised in institutions.

Whistleblowing

6.13 From time to time, a situation may arise where a member of staff has serious concerns about perceived irregularities in the running of the institution or the activities of colleagues within the institution. Such concerns might relate to, for example, financial malpractice, the abrogation of appropriate procedures, or departures from statutory or other requirements for good governance. All institutions should have appropriate channels through which staff can make such allegations (referred to as 'whistleblowing'). Provided that the allegation is made lawfully, without malice and in the public interest, the position within the institution of the individual making the allegation should not be jeopardised.

6.14 The CUC has issued guidance on whistleblowing, which sets out good practice in dealing with such allegations. A copy of this guidance is reproduced at Annex K. The Public Interest Disclosure Act introduced a new legal framework for 'protected disclosure'. It also amended existing employment legislation which specifically relates to the rights of the individual and the whistleblowing procedures.

Pensions

6.15 Academic and related staff in the pre-1992 universities are eligible to join the Universities Superannuation Scheme, to which employers' and employees' contributions are made as required. Arrangements for superannuation for other staff in pre-1992 universities may include a pension fund established and managed by the university itself. Members of governing bodies of pre-1992 universities should ensure that they understand what the university's superannuation arrangements are. In particular they

should clarify whether or not they have a collective or individual role as trustees of any pension fund.

6.16 The HE colleges and post-1992 universities do not maintain their own pension funds, but make employers' contributions to the Teachers' Pension Scheme for academic staff, and in most cases the Local Government Pension Scheme for other staff.

6.17 The former inner London polytechnics make contributions to the London Pensions Fund Authority for non-academic staff.

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7 Students

Students' Unions

7.1 The students' union of an institution has an important role in relation to the welfare of students and in promoting social and other activities. In recognition of that role the union receives income, normally in the form of a grant, from the institution's general fund.

7.2 The Education Act 1994, and comparable administrative arrangements in Northern Ireland, state that the governing body must take such steps as are reasonably practicable to secure that the students' union operates in a fair and democratic manner, and is accountable for its finances. The union is required to present audited financial statements to the governing body each year.

7.3 The Act also states that students have the right not to be a member of the union, and that any student who exercises this right should not be unfairly disadvantaged in the provision of services or other facilities. This does not apply in Northern Ireland.

7.4 The governing body is required to prepare a code of practice setting out how the provisions of the Education Act 1994 are to be implemented, and it must make arrangements to ensure that the code is brought to the attention of students once a year. The governing body is also required to ensure that students are made aware each year of their right to opt out of union membership, and to ensure that they are notified of any provisions which the institution may have made to offer such students services which are normally provided by the union.

7.5 The constitution of the students' union is subject to approval by the governing body, and to review by the governing body at intervals of not more than five years.

Freedom of Speech

7.6 Under the Education (No 2) Act 1986 and in accordance with the more recent Human Rights Act 1998 (Article 10 – the right to freedom of speech), the governing body has a duty to take such steps as are reasonably practicable to ensure freedom of speech within the law for students and members of staff of the institution and for visiting speakers. Governing bodies must also ensure that use of the institution's premises is not denied to any individual or body of people on the grounds of their beliefs, views, policies or objectives.

7.7 The 1986 Act requires governing bodies to maintain a code of practice setting out procedures for meetings held on the premises, and the conduct expected of those attending meetings.

7.8 The Education (No 2) Act does not apply in Northern Ireland, but governing bodies in Northern Ireland are required to make similar provisions.

Student Discipline

7.9 In the pre-1992 universities, rules and procedures concerning student discipline are normally prescribed in the university's ordinances, which must be approved by the governing body. Responsibility for overseeing the implementation of those procedures (both in cases which relate to academic matters, and in instances of misconduct) normally rests with the senate.

7.10 The articles of the institutions previously funded by the PCFC or Welsh LEAs state that responsibility for student disciplinary procedures relating to academic procedures rests with the academic board, although a student has the right to appeal to the governing body if he/she considers that these procedures have not been properly followed. The head of the institution is responsible for implementing the decisions of the academic board.

7.11 The articles of the institutions previously funded by the PCFC or Welsh LEAs also provide for the governing body, after consultation with the academic board and student representatives, to make rules relating to the suspension, exclusion or expulsion of students on disciplinary grounds. The head of the institution is empowered by the articles to implement these rules and he/she normally has authority to suspend, exclude or expel students for disciplinary reasons.

7.12 When considering disciplinary cases, institutions must take care to distinguish between offences which can properly be dealt with through internal disciplinary procedures, and criminal offences which are of such gravity that they should be dealt with by the police, at least in the first instance. The *Notes of Guidance on Student Disciplinary Procedures* (the Zellick Report) produced by the then CVCP (now Universities UK) provides advice in this area.

Student Appeals and Complaints

7.13 Institutions should ensure that, within the above framework, they have developed adequate and effective internal machinery for dealing with student appeals against academic and disciplinary decisions, and for handling student complaints against the institution. The Second Report of the Committee on Standards in Public Life recommended that all institutions should have arrangements for the independent review of student appeals and complaints once all internal avenues have been exhausted. In the case of those pre-1992 universities which have a Visitor, this recommendation is partially addressed by the provision for the Visitor to determine complaints on petition from a member of the student body. However, the passage of the Human Rights Act in October 2000 has raised new questions about the need for independent review mechanisms, including whether the Visitor system, as currently operated, fully meets the Act's requirements. It is anticipated that guidance on these questions will be issued in 2001.

Disability Discrimination Act

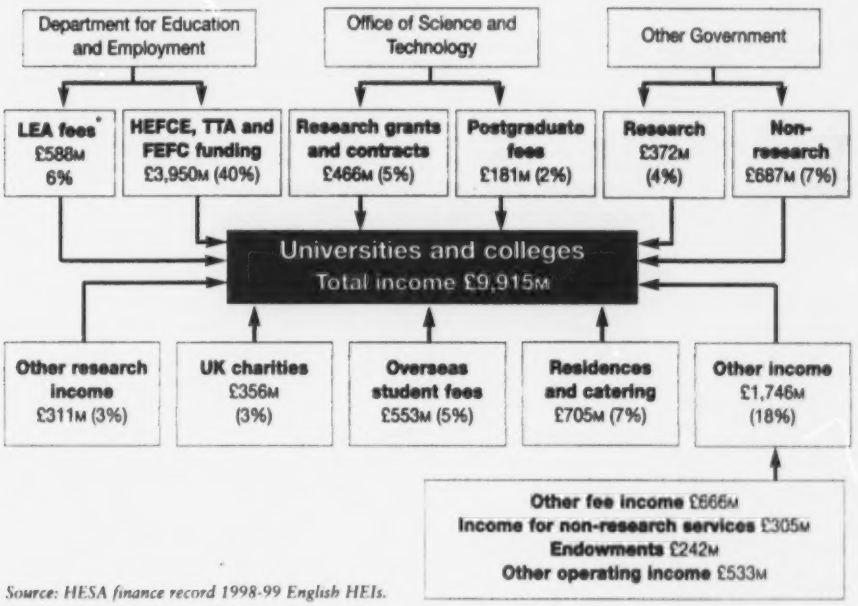
7.14 Under the terms of the Disability Discrimination Act 1995 institutions of higher education in England and Wales are required to publish, and make available on request, a Disability Statement describing the facilities which they provide for disabled students. In Northern Ireland, the provisions of the Act do not apply to universities, but universities there are required to publish Disability Statements as a condition of grant. The primary purpose of the Disability Statement is to enable disabled students to establish whether an institution's facilities would be suitable for their particular needs and requirements.

Annex A Funding of Higher Education

Institutional Fund

A.1 Higher education institutions attract income from a variety of sources. The relative proportions of income provided by these sources reflect the diversity of institutions' missions and the markets they serve. A diagrammatic representation of the major sources of funding in 1998-99 for universities and higher education colleges funded by the Higher Education Funding Council for England (HEFCE) is shown below. The sources of funding for institutions in Wales and Northern Ireland would be broadly similar.

Sources of funding for HEIs in England (1998-99)


Department for Education and Employment
Office of Science and Technology
Other Government
LEA fees* £588M 6%
HEFCE, TTA and FEFC funding £3,950M (40%)
Research grants and contracts £466M (5%)
Postgraduate fees £181M (2%)
Research £372M (4%)
Non-research £687M (7%)
Universities and colleges
Total income £9,915M
Other research income £311M (3%)
UK charities £356M (3%)
Overseas student fees £553M (5%)
Residences and catering £705M (7%)
Other income £1,746M (18%)
Other fee income £666M
Income for non-research services £305M
Endowments £242M
Other operating income £533M

Source: HESA finance record 1998-99 English HEIs.

A.2 As will be seen from the diagram, the total income from these sources in 1998-99 was £9,915 million, of which £3,950 million (or 40 per cent) was provided by the HEFCE, the Further Education Funding Council and the Teacher Training Agency.

A.3 Further information about the main sources of funding is given below.

Tuition Fees

A.4 The current system of tuition fees was introduced from 1998-99, when an annual flat-rate fee of £1,000 was introduced for full-time home and EU undergraduate students. In 2000-01 the fee was set at £1,050. Students who started their courses in or after 1998-99 are personally liable for the fee. However, it is means-tested, and many students are wholly or partially exempt: their fee is paid in full or in part by Local Education Authorities (LEAs).

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A.5 The governing body approves the level of fees for home and EU postgraduates and part-time students. Some of these students are self-financing, others are funded by their employers or other organisations. In the case of postgraduates, some students are funded by central Government, primarily through studentships from the Research Councils and the Arts and Humanities Research Board. The Secretary of State indicates annually the maximum reimbursement of tuition fees for full-time home postgraduate students which will be met from central government funds.

A.6 The position of full-time home students on the Postgraduate Certificate in Education is different. These students are funded on the same basis as full-time undergraduate students, but the £1,050 flat-rate fee is paid in full by LEAs in all cases. Such students also qualify for bursaries.

A.7 Overseas (ie non-EU) students are charged higher fees because, since 1980, the Government has required that their fees should cover the full economic cost of their tuition. Institutions are free to decide what level of fee they charge to overseas students. Where applicable they can submit an application for an award for the brightest research students to the Overseas Research Students Awards Scheme (ORSAS). This will pay the difference between the home fee and the overseas fee for each student who receives an award. The ORSAS scheme is funded by the UK Funding Councils and has an annual budget for distribution of about £13 million. Further information can be found on the HEFCE web-site.

Funding Council Grants

A.8 The grant from the Funding Councils falls into three main categories:

- funding for teaching
- funding for research
- special funding (or non-formula funding in Wales).

However, funding for teaching and research and some special funding, although allocated under these headings, are all part of a block grant. In other words, the institution may distribute the funds internally at its own discretion, as long as it is used for teaching, research and related activities. The following paragraphs summarise the funding methods: for more detail on England, see *Guide to funding: how the HEFCE allocates its funds* (HEFCE 01/14).

Funding for Teaching

A.9 The Funding Councils have an annual funding agreement with each institution which sets out the student numbers which institutions are required to deliver in return for funds for teaching. Student numbers are initially monitored through the Councils' annual Higher Education Students Early Statistics (HESES) survey. In England, these numbers are verifiable against data subsequently collected by the Higher Education Statistics Agency. In Wales, the Funding Council conducts a second

survey at the end of each academic year. Where institutions fail to recruit their contract student numbers, the Councils will hold back a proportion of the funding for teaching.

A.10 In 1998-99, the HEFCE and the then DENI (now DHFETE) introduced a new teaching funding method for institutions in England and Northern Ireland. The method is based on the following principles: similar activities should be funded at similar rates; any variations should be based only on previously-determined factors, such as mode of study and type of student or certain institutional characteristics; and additional funded student numbers should be allocated against a published set of criteria in open competition.

A.11 All academic subjects are allocated to one of four price groups, and a standard price for full-time students is calculated for each group. A series of funding premiums is applied to recognise that different institutions have different costs. Some are student-related, such as the premiums for part-time and mature students, and for students from lower socio-economic groups (identified through geodemographic postcode analysis). Others relate to the institution, such as the premium for universities and colleges with historic buildings, and premiums for small and specialist institutions providing high cost courses in, for example, music, dance and art and design. An institution's total standard resource for teaching is calculated by weighting the full-time equivalent (FTE) student numbers in each price group by any applicable special factors, multiplying the weighted FTEs by the standard price for the group, and summing the totals for the four groups.

A.12 These calculations produce a standard rate of funding per student for each institution. So that institutions can manage their own student numbers, the actual rate of funding can be as much as 5 per cent above or below the standard. If the variation from the standard is greater than this, the Funding Councils adjust funding or student numbers for the institution so as to bring actual funding into closer alignment with the standard. Adjustments are made over a period, so that the institution can manage the change.

A.13 The Higher Education Funding Council for Wales (HEFCW) implemented its new teaching funding method for 2000-01.

Funding for Research

A.14 The Funding Councils' policy is to allocate research funding selectively to those institutions that have demonstrated research quality.

A.15 Research quality is assessed by the Funding Councils every four or five years in a Research Assessment Exercise (RAE). Institutions may submit research outputs in up to 69 subject areas (known as units of assessment). Outputs can be publications, products or even artistic performances, which are assessed through peer review by panels of experts in the subject. Assessment is based largely on the quality of these outputs, but also takes into account, as subsidiary indicators, the number of postgraduate research students, funded research studentships, external research income and statements of research plans.

A.16 In the 1996 Research Assessment Exercise (RAE) subjects were ranked on an ascending scale of 1-5* (five star), with point 3 on the scale sub-divided into 3a and 3b and point 5 divided into 5 and 5*. The rating of 5* denotes submissions in which the majority of the work was of international excellence, while a rating of 1 denotes a submission which contained no, or virtually no, work attaining the level of national excellence.

A.17 The main component of the Funding Councils' funding formula for research is quality-related (QR) funding. The amount of money allocated to an institution for this component depends directly on performance in the most recent RAE. Units of assessment rated 1 or 2 are not eligible for any QR funding. In addition to the RAE quality rating, the research funding method also takes account of the volume of research activity, measured primarily as the number of research active staff submitted to the RAE.

A.18 The Councils' funding formula also includes generic research (GR) funding, to encourage institutions to enter into collaborative arrangements for commercial research activities.

A.19 In England, former PCFC institutions with units of assessment rated 2 or 3b in the 1996 RAE also receive an element of funding intended to promote collaborative research in these subjects with other departments or institutions. In Wales, funding to promote research in 2-rated departments is provided on a selective basis through targeted initiatives. In Northern Ireland, universities receive a developmental element of research funding to improve quality across departments and encourage collaboration with industry and others.

A.20 The funding provided by the Funding Councils represents one part of the government's dual support arrangements for research in higher education: the other part comes from the Research Councils which provide grants for specific projects.

A.21 In 1999-2000 the HEFCE undertook a fundamental review of research policy and funding. The results were published in HEFCE 00/37. The review concluded that research funding should continue to be allocated through periodic research assessment exercises.

Special Funding

A.22 A number of activities cannot be funded through the funding formula for research and teaching and are instead supported through special funding. The main elements of special funding currently provided by the HEFCE cover the following areas:

- widening participation: funding for each institution based on postcode data, funding for collaborative projects and funding for students with disabilities
- raising the quality of learning and teaching: funding for institutions, subject centres and individual staff

- funding to support HE institutions working with business and the community and contributing to wealth creation
- reimbursement of inherited liabilities
- support for specialist museums, galleries, collections and libraries which are available to all researchers within the sector
- funding to ensure that certain minority subjects with low student demand are maintained in higher education.

A.23 In Wales, special funding is made available for Welsh language provision and for Initial Teacher Training initiatives. Special funding also supports joint activities by all the UK Funding Councils, such as the work of the Joint Information Systems Committee.

Capital Funding

A.24 The main sources of capital funding are:

- the Joint Infrastructure Fund, which supports investment in research facilities. This is being replaced as from 2001 by the Scientific Research Investment Fund, administered jointly by the HEFCE and OST
- the HEFCE Poor Estates programme, which supports the upgrading of inadequate buildings and estates, particularly in the post-1992 universities
- project capital allocations from the HEFCE for both teaching and research allocated on the basis of a formula linked to total teaching and research grant.

A.25 Institutions also fund capital projects out of mainstream recurrent funding, commercial loans, bonds and other borrowing, and from earned endowment income.

Research Grants and Contracts

A.26 In addition to Funding Council support for research, institutions also obtain research funding through: grants and contracts from Research Councils; contracts from industrial and commercial firms and government departments; and grants from charities and the EU. Where a contract, as opposed to a grant, is provided, an organisation is normally looking for a specific return on its investment.

A.27 The Funding Councils expect that, in determining the price to be charged for research contracts, institutions should be aware of the full costs involved (including indirect costs or overheads). Indirect costs should be calculated on a full costing basis according to the circumstances of each individual institution, using guidance provided by Universities UK (formerly the CVCP) and the Funding Councils. Research Council grants are now intended to cover direct costs and some of the related indirect costs. The amount contributed to an institution's indirect costs is currently calculated as 46 per cent of the gross salary costs met through each grant (the balance of the indirect costs being met

from the research element of the Funding Councils' grants under the 'dual support' principle).

A.28 There are six Research Councils as follows:

- Biotechnology and Biological Sciences Research Council
- Economic and Social Research Council
- Engineering and Physical Sciences Research Council
- Medical Research Council
- Natural Environment Research Council
- Particle Physics and Astronomy Research Council.

A.29 There is currently no research council for the humanities, although the Arts and Humanities Research Board (AHRB) fulfils a comparable role. The AHRB was established as a result of a recommendation in the report of the National Committee of Inquiry into Higher Education (Dearing Committee).

A.30 The Office of Science and Technology within the Department of Trade and Industry is responsible for the Science budget, including allocating funding to the Research Councils.

The Transparency Review

A.31 In 1998 the Government, through OST, established a Transparency and Accountability Review of all activities in higher education institutions to improve the accountability for the use of public funds. The framework for the review was set out in the *Transparency Review Report*, published in June 1999 by the Joint Costing and Pricing Steering Group (JCPSG). The review adopted an activity-based costing approach that could be applied across all institutions. The approach covers all activities, including teaching and research and activities funded from both public and non-public sources. Guidance on the methodology and on implementation issues was published by the JCPSG in July 2000, under the title *Transparent approach to costing*. All higher education institutions are required to report annually to their respective Funding Councils from 1999-2000 onwards, in accordance with the costing standards laid down in the *Transparency Review Report*.

Funding from the Department of Health

A.32 The Department of Health, through the National Health Service, provides substantial core support both directly and indirectly for teaching and research in medicine, dentistry and other health care subjects. Many clinical medical and dental academic staff employed by universities are funded by the NHS. Indirect support for clinical teaching and research is provided by the NHS to teaching hospitals that

are associated with universities, to enable them to sustain the facilities and service infrastructure for medical and dental education and research.

A.33 The NHS has transferred colleges of health and schools of nursing to the higher education sector, and commissions all non-medical education and training for health care professionals from universities and colleges on a contract basis. From 1998 onwards, the NHS assumed responsibility for funding all courses in nursing and midwifery and in certain health-related professions. Previously, this funding was provided in some cases by the NHS, and in others by the Funding Councils.

Teacher Training Agency

A.34 In England, institutions which offer Initial Teacher Training and In-Service Training for Teachers receive their funding for this provision from the Teacher Training Agency. In Wales, this provision is funded by HEFCW.

Consultancies and Other Services

A.35 Institutions are increasingly undertaking consultancies for, and providing other services to, external bodies on a commercial basis. The scope of such consultancies and services is wide, ranging from advice on business development to the testing of products and goods, and the letting of university accommodation. Many universities and colleges have established separate companies to market their services with profits covenanted back to the institution. The HEFCE has published guidance for institutions on working with such companies and joint ventures, *Related companies: good practice guidelines* (HEFCE 00/58), which is available on its web-site. The HEFCE Higher Education Reach Out to Business and the Community programme (HEROBC) is designed to help HEIs develop an infrastructure for working with businesses and the wider community.

Endowments, Donations and Other Sources of Income

A.36 Universities and colleges have several other sources of income, including:

- income from endowments and from 'foundations' (trusts to raise money for the institution, especially through alumni)
- donations
- sponsorship of posts (in particular professorial chairs, which are often in areas of immediate interest to the sponsoring company and sometimes for a fixed term)
- interest earned on cash balances and investments
- income from exploiting the results of research or inventions which have commercial applications

- teaching contracts for specific customers (nursing, other professions allied to medicine, further education, continuing professional development, initial teacher training)
- fee income from short courses
- income from halls of residence fees and vacation lettings.

A.37 The importance of these other income streams varies from institution to institution: income from invested endowments, for example, tends to be more significant in the older universities, and donations tend to be focused on universities with medical schools.

Undergraduate Student Support

Student Maintenance Grants and Loans

A.38 In 1997, the Government announced that maintenance grants would be phased out and from 1998-99 these were replaced with a system of income-contingent student loans. These loans are repayable once the student has left higher education and achieved earnings which exceed a specified minimum threshold.

Access Funds

A.39 Institutions receive an earmarked grant of Access Funds through the Funding Councils to assist home students who face particular financial difficulties. The criteria for allocating this funding are determined by the Department for Education and Employment in conjunction with the Funding Councils, and individual institutions are responsible for deciding which students will benefit from the funding available.

Annex B The Funding Councils

B.1 Before 1992, there were two funding bodies for higher education with different funding policies: the Universities Funding Council (UFC) and the Polytechnics and Colleges Funding Council (PCFC). The HEFCE was formed under the terms of the Further and Higher Education Act 1992, to bring together all higher education in England into one funding system. At the same time separate funding bodies were set up in Wales and Scotland to fulfil a similar funding role.

B.2 The main role of the Funding Councils is to distribute public funds made available through the Department for Education and Employment and to advise on the funding needs of higher education as a whole. In England, this advice is provided to the Secretary of State for Education and Employment. In Wales, such advice is provided to the Welsh Assembly.

Relationship of the Funding Councils with Government Bodies

B.3 The main source of funding for higher education is the grant made available annually to the Funding Councils. The HEFCE receives its grant from the Department for Education and Employment. The HEFCW currently receives its grant from the Welsh Assembly. The grant to the HEFCE and HEFCW is determined after the announcement of the Government's public expenditure plans. The grant to DHFETE is determined as part of the Northern Ireland block settlement.

B.4 It is the responsibility of the Funding Councils to determine how the grant is to be allocated to individual institutions. They determine annually:

- assumptions about the total number of students in the sector
- assumptions about the number of additional students to be funded
- the block grant for teaching and research allocated to each HEI
- special funding allocations for each HEI, and the purposes for which those funds must be spent.

B.5 In making the grant available to the Funding Councils, the Secretary of State or in the case of Wales, the National Assembly, can impose conditions which must be met by all institutions, or by all institutions of a particular category. Conditions cannot be imposed on individual institutions, nor can they be framed by reference to particular courses or programmes of research (including the content of such courses or programmes and how they are taught, supervised or assessed), nor can they refer to the criteria for selecting and appointing academic staff or admitting students.

B.6 Members of the HEFCE Board are appointed by the Secretary of State; a representative of the Secretary of State is entitled to attend HEFCE's Board meetings, but not to take part in the decision-making process. In Wales, the National Assembly appoints to HEFCW's Council; and in Northern Ireland, members of the Northern

Ireland Higher Education Council are appointed by the Minister with responsibility for higher education in Northern Ireland.

Lines of Accountability

B.7 The National Audit Office or, in Northern Ireland, the Northern Ireland Audit Office, is responsible for auditing the accounts of government departments and certain public bodies, and for reporting on them to Parliament. The National Audit Office and the Northern Ireland Audit Office are each headed by a Comptroller and Auditor General.

B.8 The National Audit Office audits HEFCE's accounts. This includes ensuring that the resources made available to it have been used economically, efficiently and effectively. This examination covers not only the running costs of the Funding Council, but also the use of Funding Council funds by individual institutions. Similarly, the Northern Ireland Audit Office examines the accounts of DHFETE and the use of its funding by the Northern Ireland universities; in Wales this is the responsibility of the Audit Committee of the National Assembly.

B.9 The Chief Executive of the HEFCE and the Permanent Secretary of DHFETE are the Accounting Officers who are answerable for the use of these funds. They may be summoned to appear before the Public Accounts Committee of the House of Commons to give evidence and answer questions. The Public Accounts Committee may also summon heads of institutions as designated office holders, to give evidence. In Wales the functions of the Public Accounts Committee are delegated to the Audit Committee of the National Assembly.

B.10 To ensure that institutions are making proper arrangements for financial management and accounting, and are using Funding Council funds in ways which are consistent with the purposes for which they have been allocated, the HEFCE and HEFCW have each established an Audit Service. The Audit Services have the right of access to all information held by their parent Funding Council and by the individual institutions they fund. Over a cycle, the Audit Services review the financial and non-financial management systems of the individual institutions, and report their findings to the Audit Committee of the HEFCE or HEFCW, and through the Audit Committee to their Chief Executives. This process involves visits by the Audit Service to the institution under consideration. The HEFCE Audit Service is contracted to carry out similar reviews in Northern Ireland universities and report its findings to DHFETE.

Annex C Representative Bodies in the Higher Education System

Committee of University Chairmen

C.1 The Committee of University Chairmen (CUC) provides a forum for discussion for university chairmen to enable them – by sharing their knowledge, experience and problems – to act more efficiently in helping their councils and boards to discharge their responsibilities, and to contribute their own knowledge, experience and perspective to the consideration of matters of concern.

C.2 The Committee has taken a particular interest in questions of corporate governance and to this end produces this Guide (in association with Universities UK, AHUA, HEFCE, HEFCW and DHFETE), and other material on governance issues. It runs a governor development programme which includes an induction course for new governors and seminars on selected topics, and issues a Newsletter to members of governing bodies three times a year. It also maintains a database on vice-chancellors' salaries and emoluments.

C.3 In addition, the Committee makes representations to Government and maintains a dialogue with other bodies such as the HEFCE on matters within the remit of governing bodies. Where appropriate, it operates in conjunction with Universities UK, for example in its membership of the UCEA, and in respect to representations on particular issues to Government.

Universities UK

C.4 Universities UK was founded as the Committee of Vice-Chancellors and Principals (CVCP) in 1918 and comprised the executive heads of universities in the UK. It was incorporated as a private company limited by guarantee and with charitable status in June 1990. It is funded by annual contributions from its member institutions in proportion to their size. Its governing structure consists of a UK Board and three autonomous national bodies: the English/Northern Ireland Council, Universities Scotland and Higher Education Wales. There are regular plenary meetings of all its members.

C.5 Universities UK, in its recently published corporate plan, sets out its vision of a UK system of higher education that is properly funded from a diversity of sources, accessible to all, at the leading edge of world research, and delivering high quality teaching and learning.

C.6 Its declared mission is to be the essential voice of UK universities by promoting and supporting their work, in pursuit of which it will:

- speak out for a thriving and diverse higher education sector which creates benefits for all
- provide and disseminate essential information
- bring people together to share knowledge and good practice.

Higher Education Wales

C.7 Higher Education Wales (HEW) was established in 1996 and is a committee consisting of the executive heads of all Welsh institutions of higher education. It provides a forum for executive heads of institutions to identify and discuss issues which are of common interest to the whole of the Welsh higher education sector and, if applicable, to develop collaborative action. Where appropriate, it also provides a channel for the formulation of joint responses to HEFCW, the National Assembly for Wales and other external organisations.

Standing Conference of Principals

C.8 The Standing Conference of Principals (SCOP) consists of the principals and directors of the colleges and institutions of higher education in England and Northern Ireland. It is financed by annual contributions from its member institutions.

C.9 SCOP performs a similar role for the college sector in England and Northern Ireland to that performed by Universities UK for the universities. It provides a forum for the colleges to discuss and address the educational issues of the day; it represents colleges' views to the Government, the Funding and Research Councils and other educational interests; and it supports the work of its members. SCOP works independently, and at times collaboratively with Universities UK and other bodies, to ensure that the views of the higher education sector are understood.

Association of Heads of University Administration

C.10 The Association of Heads of University Administration (AHUA) consists of the officer in each UK university, immediately below the level of the head of the institution, who has managerial and legal responsibilities across a wide span of the institution's affairs. This officer will normally be the secretary to the governing body of the institution.

C.11 The AHUA acts as the principal focus for the discussion and dissemination of information, and for comment on administrative and management policy, and works closely with other UK bodies concerned with higher education. Specifically it:

- considers and seeks to influence matters of national policy regarding higher education, in so far as they affect the management of universities
- provides a forum concerned with the development of effective management in universities
- encourages good practice
- supports Universities UK in the development and implementation of policy on issues relating to university management
- supports and encourages appropriate training for managerial and administrative staff.

Agencies of Universities UK and SCOP

C.12 Universities UK and SCOP have established the following agencies, the governing boards of which include representatives of one or more of the following: Universities UK, SCOP, Universities Scotland, HEW and the CUC.

- Higher Education Staff Development Agency (HESDA, the national training organisation for higher education) – Universities UK and SCOP
- Universities and Colleges Admissions Service (UCAS) – Universities UK and SCOP
- Universities and Colleges Employers Association (UCEA) – Universities UK, SCOP and the CUC
- Higher Education Statistics Agency (HESA) – Universities UK, SCOP, Universities Scotland and HEW
- Quality Assurance Agency (QAA), in conjunction with the higher education funding bodies – Universities UK, Universities Scotland, HEW and SCOP
- Higher Education Careers Services Unit – Universities UK, SCOP and Universities Scotland

Staff Unions

C.13 In the pre-1992 universities, academic staff and academic-related staff (such as administrative staff, computer officers and librarians) are represented by the Association of University Teachers (AUT). Most clerical staff are represented by UNISON or by Manufacturing, Science and Finance (MSF).

C.14 In the institutions previously funded by the PCFC and the Welsh LEAs, there are two unions for academic staff:

- the National Association of Teachers in Further and Higher Education (NATFHE) which represents staff in the further education colleges as well as the post-1992 universities and colleges
- the AUT, which became a recognised union for academic staff in institutions formerly funded by the PCFC and the Welsh LEAs in 1997, following its merger with the former Association of University and College Lecturers.

C.15 In the institutions previously funded by the PCFC and Welsh LEAs, however, the AUT is not a recognised union for non-teaching staff (the equivalent of academic-related staff in the pre-1992 universities). NATFHE does not make provision for membership by non-teaching staff either. The majority of these staff are represented by UNISON which, in the institutions formerly funded by the PCFC and the Welsh LEAs, thus caters not only for clerical staff but also for administrative staff, including those in senior management positions.

C.16 Many higher education institutions have also recognised other unions, particularly in relation to manual staff, such as the General and Municipal Workers Union (GMWU) and the Transport and General Workers Union (TGWU).

National Union of Students

C.17 Students' unions in individual institutions have the opportunity of affiliating with the National Union of Students (NUS). In Northern Ireland membership is jointly administered by NUS and USI (Union of Students in Ireland).

C.18 The role of the NUS includes:

- undertaking research into issues of relevance to students and co-ordinating national campaigns
- representing student views at national level, for example through contact with Universities UK, MPs etc
- providing training for local students' union officers
- via its commercial arm NUSSL, the NUS is engaged in collective purchasing of goods for sale in students' union shops and bars.

C.19 NUS policy is determined at an annual National Conference to which all affiliated unions may send delegates and submit nominations. The NUS has a National Executive Committee which is elected annually, and is also supported by a salaried staff.

Annex D Quality of Learning and Teaching

D.1 From the early 1990s until 1997, the quality of teaching provision in institutions of higher education was subject to two, separately organised, forms of external review:

- quality audit – a review of the systems and procedures used by institutions to monitor and assure academic quality and standards. This was conducted by the Higher Education Quality Council (HEQC) which was created by the then CVCP
- quality assessment – assessment of the quality of education provided by institutions in individual subject areas. This form of assessment was organised on separate bases for England and Wales by the HEFCE and HEFCW, each of which has a statutory duty to ensure that arrangements are made to assess the quality of education in institutions to which it provides funding. In Northern Ireland, the assessment was organised on behalf of DENI by the HEFCE.

D.2 Both quality audit and quality assessment involved visits to institutions by teams of assessors. These arrangements stemmed from the 1991 White Paper, Higher Education: A New Framework, which made a distinction between the two aspects of quality assurance.

D.3 It became evident that this system involved an element of duplication and imposed considerable administrative demands on institutions. Accordingly, following review in 1996 by a Joint Planning Group, it was agreed to replace the above arrangements by establishing a single Quality Assurance Agency for Higher Education (QAA) to operate on a UK-wide basis. It was felt that the new agency would be best placed to integrate the separate but complementary processes of quality assessment and quality audit; and to carry out those functions in a cost-effective way. It could also promote the development and evolution of those processes to reflect the growing maturity and effectiveness of institutions' own quality assurance processes, and thus to reduce the weight of external scrutiny on institutions while continuing to meet the needs of all the stakeholders in higher education. The QAA came into being in April 1997 and is funded primarily through service level agreements with the Funding Councils and subscriptions from higher education institutions.

D.4 The report of the National Committee of Inquiry into Higher Education (Dearing Report) caused the QAA to embark on a fundamental review of quality assurance methods across the UK. This has resulted in the design of a new framework which places emphasis on the assurance of academic standards as well as quality. As part of the design of the new framework, the QAA has undertaken work to develop subject benchmark information, programme specifications, codes of practice and qualifications frameworks. The development of the higher education qualifications frameworks will be completed in early 2001. All the currently planned sections of the code of practice for the assurance of academic quality and standards in higher education are planned to be published by the end of 2001. Subject benchmark statements were published in 22 subjects in 2000 and a further 23 statements will be published in 2001. Programme specifications form an integral part of the academic review process.

D.5 The QAA will complete the inherited programme of subject reviews in England and Northern Ireland by December 2001 (which will complete the HEFCE/DHFETE 1993-2001 programme of quality assessments). The new integrated process of academic review was introduced in Scotland in October 2000 and is being introduced in England from January 2002.

Quality Assurance by Other Bodies

D.6 In England the quality of provision of Initial Teacher Training is assessed by inspectors from the Office for Standards in Education (OFSTED). In Wales this function is undertaken by the Office of Her Majesty's Chief Inspectors of Schools in Wales (OHMCI).

D.7 Certain types of course, such as Engineering, have accreditation arrangements with professional bodies, and institutions may therefore also receive accreditation visits from these bodies from time to time.

Annex E Health and Safety

The Legislative Framework

The Health and Safety at Work Act 1974

E.1 In England and Wales, the Health and Safety at Work Act 1974 is the key piece of enabling legislation in the area of health and safety. It places a duty on employers and those responsible for places of work to ensure that employees, visiting staff and other individuals are protected from risks and dangers arising from work activities. In the case of higher education those other individuals would include students, members of the public and contractors. In Northern Ireland, the comparable legislation is the 1978 Health and Safety at Work Order.

E.2 The 1974 Act established the Health and Safety Commission and the Health and Safety Executive. The Health and Safety Commission advises the Government on the issue of regulations which have statutory force. The Health and Safety Commission and the Health and Safety Executive also issue codes of practice and guidance with which employers should comply. The Health and Safety Executive and its inspectorate enforce statutory duties and can investigate serious accidents in the workplace.

Regulations on Specific Hazards

E.3 The 1974 Act enables the Secretary of State to make regulations, subject to approval by Parliament. This has resulted in a wide range of regulations relating to specific areas of risk, including:

- Control of Substances Hazardous to Health Regulations (1988)
- Ionising Radiation Regulations (1985)
- Genetic Manipulation of Organisms Regulations (1992).

E.4 These regulations set minimum safety requirements: for example, the Control of Substances Hazardous to Health Regulations state the exposure limit to dangerous chemicals. They also require employers to make an assessment of the hazard within their particular organisation and to act upon the assessment.

1992 Health and Safety Regulations

E.5 The 1992 Health and Safety Regulations (and similar legislation in Northern Ireland) implement directives made under the Single European Act 1987. There are six sets of regulations altogether, and they are sometimes referred to collectively as the 'six pack'.

Duties of the Governing Body

E.6 As the employing authority, the governing body carries the ultimate responsibility for health and safety and could be held liable for offences under the 1974 Act (as could individuals who have failed to discharge their duties). Among the duties placed on the governing body are:

- the preparation of a written statement of policy on health and safety, including details of the organisation and arrangements for implementing that policy
- consultation of employees about health and safety
- provision for the appointment by recognised trade unions of safety representatives.

E.7 Health and safety responsibilities for the students' union should also be clearly designated.

Further Information

E.8 The Health and Safety Executive is actively involved in promoting health and safety in the education sector. It has established an Education Service Advisory Committee which publishes a number of booklets relating to health and safety in the classroom, laboratories and workshops. It has also published guidance on health and safety management in higher and further education, with particular reference to inspection, monitoring and auditing.

Summary

E.9 The governing body should satisfy itself that:

- the institution has a health and safety statement in which management responsibility for health and safety issues is clearly designated ,
- those with such designated responsibility are aware of, and have access to, relevant regulations, advice and training
- the institution plans the implementation of its policy and sets health and safety standards which it expects to be achieved
- the institution has structures and arrangements for implementing its safety policy, such as safety officers and appropriate committees
- the institution monitors its activities to ensure that the agreed standards are being met.

Annex F Abbreviations and Acronyms in Higher Education

ACU	Association of Commonwealth Universities
AHRB	Arts and Humanities Research Board
AHUA	Association of Heads of University Administration
AUA	Association of University Administrators
AUDE	Association of University Directors of Estates
AURIL	Association for University Research and Industrial Links
AUT	Association of University Teachers
BA	British Academy
BAAS	British Association for the Advancement of Science
BBSRC	Biotechnology and Biological Sciences Research Council
BDA	British Dental Association
BMA	British Medical Association
BUFDG	British Universities Finance Directors Group
CATS	Credit Accumulation and Transfer Scheme
CCAC	Council of Churcn and Associated Colleges
CLA	Copyright Licensing Agency
COSHEP	Committee of Scottish Higher Education Principals (now Universities Scotland)
CUC	Committee of University Chairmen
CVCP	Committee of Vice-Chancellors and Principals (now Universities UK)
DENI	Department of Education for Northern Ireland (now DHFETE)
DfEE	Department for Education and Employment
DHFETE	Department of Higher and Further Education, Training and Employment (Northern Ireland)
EC	Engineering Council
ECCTIS	Education Counselling and Credit Transfer Information Service
EFL	English as a Foreign Language
EPSRC	Engineering and Physical Sciences Research Council

ERA	Education Reform Act 1988
ESRC	Economic and Social Research Council
FDS	First Destination Survey
FE	Further Education
FEC	Further Education College
FEFC	Further Education Funding Council
FHEA	Further and Higher Education Act 1992
FTE	Full-Time Equivalent
GDC	General Dental Council
GMC	General Medical Council
GNVQ	General National Vocational Qualification
GTC	General Teaching Council
HE	Higher Education
HEC	Higher Education Corporation
HEFCE	Higher Education Funding Council for England
HEFCW	Higher Education Funding Council for Wales
HEI	Higher Education Institution
HEIFES	Higher Education in Further Education Students survey
HEROBC	Higher Education Reach-out to Business and the Community
HESA	Higher Education Statistics Agency
HESDA	Higher Education Staff Development Agency (formerly UCoSDA)
HESES	Higher Education Students Early Statistics survey
HEW	Higher Education Wales (formerly HHEW)
HHEW	Heads of Higher Education in Wales (now Higher Education Wales)
HMI	Her Majesty's Inspectorate (or Inspector)
HNC/D	Higher National Certificate/Diploma
ILT	Institute for Learning and Teaching

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INSET	In-Service Training for Teachers
IT	Information Technology
ITT	Initial Teacher Training
JANET	Joint Academic Network (computing)
JIF	Joint Infrastructure Fund
JISC	Joint Information Systems Committee (of the Higher Education Funding Councils)
JREI	Joint Research Equipment Initiative
LAN	Local Area Network (computing)
LEA	Local Education Authority
LSC	Learning and Skills Council
LGPS	Local Government Pension Scheme
LTSN	Learning and Teaching Support Network
MAN	Metropolitan Area Network (computing)
MRC	Medical Research Council
NAO	National Audit Office
NATFHE	National Association for Teachers in Higher Education
NDPB	Non-departmental public body (otherwise known as 'quangos')
NCIHE	National Committee of Inquiry into Higher Education (Dearing Committee)
NERC	Natural Environment Research Council
NIACE	National Institute for Adult and Continuing Education
NIAO	Northern Ireland Audit Office
NIHEC	Northern Ireland Higher Education Council
NUS	National Union of Students
ODA	Overseas Development Agency
OFSTED	Office for Standards in Education
OST	Office of Science and Technology

ORSAS	Overseas Research Students Awards Scheme
OU	Open University
PAC	Public Accounts Committee
PCFC	Polytechnics and Colleges Funding Council (wound up in 1992)
PFI	Private Finance Initiative
PI	Performance Indicator
PPARC	Particle Physics and Astronomy Research Council
QAA	Quality Assurance Agency for Higher Education
QCA	Qualifications and Curriculum Authority
RAE	Research Assessment Exercise
RDA	Regional Development Agency
RSA	Royal Society of Arts
SCITT	School-Centred Initial Teacher Training
SCONUL	Standing Conference of National and University Libraries
SCOP	Standing Conference of Principals
SHEFC	Scottish Higher Education Funding Council
SOEID	Scottish Office Education and Industry Department
SORP	Statement of Recommended (Accounting) Practice
SRIF	Science Research Investment Fund
TEC	Training and Enterprise Council
TSS	Teachers' Superannuation Scheme
TTA	Teacher Training Agency
UCAS	Universities and Colleges Admissions Service
UCEA	Universities and Colleges Employers Association
UCET	Universities Council for the Education of Teachers
UCoSDA	Universities and Colleges Staff Development Agency (now HESDA)
UFC	Universities Funding Council (wound up in 1992)

Ufi	University for Industry also called Learning Direct
UKCOSA	United Kingdom Council for Overseas Student Affairs
USI	Union of Students in Ireland
USS	Universities Superannuation Scheme
UUK	Universities UK (formerly CVCP)
WUS	World University Service

Annex G Higher Education Institutions Funded by the HEFCE

Anglia Polytechnic University

Arts Institute at Bournemouth

Aston University

University of Bath

Bath Spa University College

University of Birmingham

Bishop Grosseteste College

Bolton Institute of Higher Education

Bournemouth University

University of Bradford

Bretton Hall

University of Brighton

University of Bristol

Brunel University

Buckinghamshire Chilterns University College

University of Cambridge

Canterbury Christ Church University College

University of Central England in Birmingham

University of Central Lancashire

Central School of Speech and Drama

Cheltenham and Gloucester College of Higher Education

Chester College of Higher Education

University College Chichester

City University

Cranfield University

Coventry University

Cumbria College of Art and Design

Dartington College of Arts

De Montfort University

University of Derby

University of Durham

University of East Anglia

University of East London

Edge Hill College of Higher Education

University of Essex

University of Exeter

Falmouth College of Arts

University of Greenwich

Harper Adams University College

Homerton College, Cambridge

University of Hertfordshire

University of Huddersfield

University of Hull

Keele University

University of Kent at Canterbury

Kent Institute of Art and Design

King Alfred's College, Winchester

Kingston University

Lancaster University

University of Leeds

Leeds Metropolitan University

University of Leicester

University of Lincolnshire and Humberside

University of Liverpool

Liverpool Hope

Liverpool John Moores University

University of London

- Birkbeck College
- Institute of Cancer Research
- Institute of Education
- Goldsmiths College
- Imperial College of Science, Technology and Medicine
- King's College, London
- London Business School
- London School of Economics and Political Science
- London School of Hygiene and Tropical Medicine
- School of Oriental and African Studies
- School of Pharmacy
- Queen Mary, University of London
- Royal Academy of Music
- Royal Holloway, University of London
- Royal Veterinary College
- St George's Hospital Medical School
- University College, London

London Guildhall University

The London Institute

Loughborough University

University of Luton

University of Manchester

University of Manchester Institute of Science & Technology

Manchester Metropolitan University

Middlesex University

University of Newcastle upon Tyne

Newman College

University of North London

University College Northampton

Northern School of Contemporary Dance

University of Northumbria at Newcastle

Norwich School of Art and Design

University of Nottingham

Nottingham Trent University

Open University

University of Oxford

Oxford Brookes University

University of Plymouth

University of Portsmouth

Ravensbourne College of Design and Communication

RCN Institute

University of Reading

College of Ripon & York

Rose Bruford College

Royal Agricultural College

Royal College of Art

Royal College of Music

Royal Northern College of Music

College of St Mark & St John

St Martin's College

St Mary's College

University of Salford

University of Sheffield

Sheffield Hallam University

University of Southampton

Southampton Institute

South Bank University

Staffordshire University

University of Sunderland

University of Surrey

University of Surrey Roehampton

Surrey Institute of Art & Design, University College

University of Sussex

University of Teesside

Thames Valley University

Trinity & All Saints

Trinity College of Music

University of Warwick

University of West of England, Bristol

University of Westminster

Wimbledon School of Art

University of Wolverhampton

University College Worcester

Writtle College

University of York

Annex H Higher Education Institutions Funded by HEFCW

Cardiff University

University of Glamorgan

North East Wales Institute

Swansea Institute of Higher Education

Trinity College

University of Wales

University of Wales, Aberystwyth

University of Wales, Bangor

University of Wales, Lampeter

University of Wales, Swansea

University of Wales College of Medicine

University of Wales College, Newport

University of Wales Institute, Cardiff

Welsh College of Music and Drama

Annex 1 Universities Funded by DHFETE

The Queen's University of Belfast

University of Ulster

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Annex J Corporate Governance: Model Statement for Inclusion in Annual Reports and Accounts

For Pre-1992 Universities

J.1 The following statement is provided to enable readers of the Annual Report and Accounts of the University to obtain a better understanding of the governance and legal structure of the University.

J.2 The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities which has been provided by the Committee of University Chairmen in its Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland.

J.3 The University is an independent corporation, whose legal status derives from a Royal charter originally granted in ..... Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes, the latest version of which was approved by the Privy Council in .....

J.4 The Charter and Statutes require the University to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

- **The Council** is the executive governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution.
  It has a majority of members from outside the University (described as lay members), from whom its Chairman and, where the post exists, its Deputy Chairman must be drawn. Also included in its members are representatives of the staff of the University and the student body. None of the lay members receive any payment, apart from the reimbursement of expenses, for the work which they do for the University.
- **The Senate** is the academic authority of the University and draws its membership entirely from the academic staff and the students of the institution. Its role is to direct and regulate the teaching and research work of the University.
- **The Court** is a large, mainly formal body (somewhat akin to the shareholders' meeting of a large public company). It offers a means whereby the wider interests served by the University can be associated with the institution, and provides a public forum where members of court can raise any matters about the University. The Court normally meets once a year to receive the annual report and accounts of the University. In addition, major changes to the constitution of the University may require the approval of the Court before they can be submitted to the Privy Council.

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A majority of the members of the Court will be from outside the University, representing the local community and other designated bodies with an interest in the work of the University, but the membership also includes representatives of the staff of the University (both academic and non-academic) and the student body.

J.5 The principal academic and administrative officer of the University is the Vice-Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council, the Vice-Chancellor is the designated officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

J.6 Although the Council meets at least ..... times each academic year, much of its detailed work is initially handled by committees, in particular the Finance Committee, the Employment Committee, the Nominations Committee, the Remuneration Committee and the Audit Committee. The decisions of these committees are formally reported to the Council.

J.7 These committees, and in some cases others, are formally constituted as committees of the Council with written terms of reference and specified membership, including a significant proportion of lay members (from whom the Chairman will be selected).

J.8 As Chief Executive of the University, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Pro-Vice-Chancellors and the senior administrative officers all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor.

J.9 The University maintains a Register of Interests of Members of the Council [and Senior Officers] which may be consulted by arrangement with .....

J.10 The Statutes of the University specify that the Registrar should act as Secretary of the Council. Any enquiries about the constitution and governance of the University should be addressed to the Registrar.

For Post-1992 Universities and Colleges

J.11 The following statement is provided to enable readers of the Annual Report and Accounts of the institution to obtain a better understanding of the governance and legal structure of the Institution.

J.12 The Institution endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the guidance to institutions of higher education which has been provided by the Committee of University Chairmen in its Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland.

J.13 The Institution is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in the Articles of Government which were approved by .....in..... The current version of the Articles was approved by the Privy Council in.....

J.14 The Articles require the Institution to have a Board of Governors and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

- The Board is the executive governing body, responsible for the finance, property and staffing of the Institution. It is specifically required to determine the educational character and mission of the Institution and to set its general strategic direction.
  The Board has a majority of independent members, chosen in line with strict criteria contained in the legislation. It is customary for the Chairman of the Board to be elected from the independent members. There is also provision for the appointment of co-opted members, some of whom may be members of the staff of the Institution, and for the appointment of representatives of the academic staff and of the student body. No members of the Board will receive any reimbursement for the work they do for the Board.
- Subject to the overall responsibility of the Board of Governors, the Academic Board has oversight of the academic affairs of the Institution and draws its membership entirely from the staff and the students of the Institution. It is particularly concerned with general issues relating to the teaching and research work of the Institution.

J.15 The Chief Executive Officer is the head of the Institution who has a general responsibility to the Board of Governors for the organisation, direction and management of the Institution. Under the terms of the formal Financial

Memorandum between the Institution and the Higher Education Funding Council, the head of the Institution is the designated officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

J.16 Although the Board of Governors meets at least..... times each academic year, much of its detailed work is initially handled by committees, in particular the Finance Committee, the Employment Committee, the Nominations Committee, the Remuneration Committee and the Audit Committee. The decisions of these committees are formally reported to the Board.

J.17 A significant proportion of the membership of these committees consists of independent and co-opted members of the Board, other than co-opted student and staff members, who are not eligible to serve on these committees, except for the Nominations Committee. The Chairman may well be selected from the co-opted and independent members serving on the committees.

J.18 As Chief Executive, the head of the Institution exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The deputies to the head of the Institution (sometimes designated as Pro-Vice-Chancellors) and the senior administrative officers all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the head of the Institution.

J.19 The Institution maintains a Register of Interests of Members of the Board [and Senior Officers] which may be consulted by arrangement with.....

J.20 In accordance with the Articles of Government of the Institution, ...the ..... of the Institution has been appointed as Clerk to the Board, and in that capacity, provides independent advice on matters of governance to all Board members.

Annex K Guidance on Whistleblowing

K.1 This annex offers guidance to higher education institutions on the handling of allegations made by staff members relating to the running of the institution or the activities of colleagues within the institution (referred to as 'whistleblowing'). It is intended only as a statement of good practice and general principles, and institutions should draft more detailed protocols to take account of individual circumstances and experience (if they have not done so already). In doing so, institutions should refer to the Public Interest Disclosure Act 1998, which sets out in detail when 'disclosures' by staff are protected by the Act. Such protocols would draw on the guidance given below, and would recognise the need to investigate allegations fully, while dealing fairly with anyone accused.

K.2 Universities and colleges of higher education, like other public bodies, have a duty to conduct their affairs in a responsible and transparent way and to take into account both the requirements of funding bodies (including of course the Funding Councils) and the standards in public life enunciated in the reports of the Committee on Standards in Public Life. In addition they are committed to the principles of academic freedom embodied in their own charters, statutes and articles of government, and enshrined in the Education Reform Act 1988.

K.3 Members of staff are often the first to know when things are going wrong in an institution, whether these concern financial malpractice, the abrogation of appropriate and agreed procedures, or departures from the statutory or other requirements for good governance. All higher education institutions should establish official channels through which such concerns can be raised, for example through heads of department, at official committees, or through staff representatives, including the accredited trades' unions. In the normal course of events concerns should be raised through these channels. But members of staff often feel, rightly or wrongly, that their own position in the institution will be jeopardised if they raise a particular concern in this way, and sometimes the usual channels may, indeed, be inappropriate. Good practice would suggest that:

(a) Allegations of injustice or discrimination against individuals should be dealt with under established procedures approved by the governing body or, if it is a student grievance, through the machinery established by the institution for this purpose.

(b) Allegations about an individual's financial conduct should normally be made to the head of internal audit. He/she is required to have a direct reporting relationship with the Vice-Chancellor/Principal/Chief Executive as the officer within the institution who is designated by the governing body and by the Funding Council to be accountable for the control of the institution's funds, and to the Audit Committee established by the governing body. Internal audit should investigate the allegation or report to a higher authority as appropriate. Where for whatever reason the person making the allegation considers it inappropriate to make it to the head of internal audit, the provisions of sub-paragraph (c) apply.

(c) Allegations about other issues, for example the behaviour of a senior officer of the institution, or a lay/independent member of the governing body, or about the propriety of committee or other collective decisions, should be made, as the person making the allegation deems appropriate, to the Vice-Chancellor/Principal/Chief Executive, the Secretary/Registrar/Clerk to the governing body or to the Chairman of the governing body. If for any reason none of these individuals is deemed to be appropriate, the allegation should be made to the Chairman of the Audit Committee.

K.4 In any case where an allegation has been made under sub-paragraphs (b) and (c) the person to whom the allegation is made should make a record of its receipt and of what subsequent action was taken. Any allegation made under this procedure shall normally be the subject of a preliminary investigation either by the person to whom the allegation is made or more usually by a person or persons appointed by him/her. Institutions should take steps to ensure that investigations are not carried out by the person who may ultimately have to reach a decision on the matter. Where no investigation is carried out, and the allegation is effectively dismissed, the person making the allegations shall be informed and given the opportunity to remake the allegation to some other person or authority within the institution. This need not be done where an allegation is dismissed after an investigation. Where an allegation is made, the person or persons against whom the allegation is made must be told of it and the evidence supporting it, and be allowed to comment before the investigation is concluded and a report made. The results of the investigation shall be reported to the Audit Committee.

K.5 Any person making an allegation under sub-paragraphs (b) or (c) should be guaranteed that the allegation shall be regarded as confidential to the receiver until a formal investigation is launched. Thereafter, the identity of the person making the allegation may be kept confidential, if requested, unless this is incompatible with a fair investigation, or if there is an overriding reason for disclosure (for example, if police involvement is required). Provided the allegation has been made lawfully, without malice and in the public interest, the employment position of the person should not be disadvantaged because they have made the allegation.

K.6 Institutions may wish to consider using the policy checklist proposed by Public Concern at Work so far as it may apply to circumstances in institutions of higher education.

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